NOTICE OF GENERAL MEETING

PAPYRUS AUSTRALIA LIMITED (ACN 110 868 409)

Notice is hereby given that a General Meeting of the members of Papyrus Australia Limited (the Company) will be held at the Offices of BDO Audit Pty Ltd, Level 7, BDO Centre, 420 King William Street ADELAIDE SA 5000 at 10.30 am (Adelaide time) on 28 June 2024.

Special Business

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

Resolution: Acquisition of shares in *Papyrus Egypt for the Manufacture of Banana Fibre Company LLC*: National Company number 27809292102441 (PPYEg)

"For the purposes of Item 7 of Section 611 and Section 208 within Chapter 2E of the Corporations Act 2001 (Cth) (the Act) and for the purposes of Listing Rules 10.1 and 10.11 and for all other purposes IT IS HEREBY RESOLVED THAT, subject to the Conditions Precedent set out below being satisfied in accordance with the requirements of the Act, the Listing Rules, all applicable Regulatory Requirements, the Company's constitution (Constitution), all applicable requirements of Egyptian Law and the provisions of the constituent documents of each of PPYEg (PPYEg Constitution) and of The Egyptian Banana Fibre Company (EBFC Constitution);

(a) the Company shall:

(i) in exchange for all of the shares in PPYEg of which The Egyptian Banana Fibre Company: National Company number 46751 (EBFC) is the registered holder and beneficial owner (the PPYEg Shares) being validly transferred to Papyrus Manufacturing Pty Ltd (ACN 133 917 101) (PPYM); and,

(ii) subject to PPYM being validly registered as the owner of the PPYEg Shares in the register of members of PPYEg free and clear of all encumbrances and restrictions save as contained in the PPYEg Constitution;

issue and allot to Newco (as herein defined) 86,945,752 new ordinary shares in the capital of the Company (or such other number of New Shares as shall comprise fifteen percent of the issued capital of the Company subsequent to the issue and allotment thereof) (the New Shares) each of which New Shares shall be credited as fully paid up and which shall be issued and allotted on the bases that (Appendix 3 illustrates the dilution factor of the transaction);

(iii) the New Shares shall be held on the Company's issuer sponsored subregister for the escrow period (as herein defined) and treated as Restricted Securities (as defined in the Listing Rules) and that the Company's Share Registrar, Computershare Investor Services Pty Ltd (ACN 078 279 277) (Computershare), shall apply a holding lock (as defined in the Listing Rules) on the New Shares.

INDEPENDENT EXPERTS REPORT

Shareholders should carefully consider the report prepared by the Independent Expert for the purpose of Shareholder approval under Listing Rule 10.1 and section 611(7) of the Corporations Act. The IER comments on the fairness and reasonableness of the transaction the subject of this Resolution to those Shareholders whose votes are not to be disregarded.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE TRANSACTION THE SUBJECT OF THIS RESOLUTION IS NOT FAIR BUT REASONABLE TO NON-ASSOCIATED SHAREHOLDERS.

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of Mr Azer or Mr Rigano and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of been a holder of ordinary securities in the entity) or any Associate of them, however this does not apply to a vote cast in favour of the resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or

(b) the [+]chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the [+]chair to vote on the resolution as the chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
   - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
   - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Dated this 3rd day of May 2024

E Byrt
Director
PAPYRUS AUSTRALIA LIMITED
NOTES

1. EXPLANATORY STATEMENT

The Explanatory Statement accompanying this Notice of Meeting is incorporated in and comprises part of this Notice of Meeting and should be read in conjunction with this Notice of Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement, which contains definitions of capitalised terms used in both this Notice of Meeting and the Explanatory Statement.

Additional Information Relating to the Transaction:

(a) the holding lock shall continue for an escrow period which shall be the longer of;
  (A) one year from the date of issue and allotment of the New Shares; or,
  (B) ASX classifies the New Shares as Restricted Securities, the ASX imposed escrow is 12 months from date of issue.

(b) Newco shall enter into a Restriction Agreement in relation to the New Shares which shall be in the prescribed form set out in Appendix 9A of the Listing Rules with Newco and each "controller" of Newco (as defined in the Listing Rules) executing same.

(c) In the event that ASX classifies the New Shares as Restricted securities, Newco and each such controller of Newco shall comply with all such further requirements imposed or required by ASX.

(d) Computershare will not remove the holding lock imposed on the New Shares during escrow period without the Company's prior written consent and ASX classifies the New Shares as Restricted Securities, the ASX imposed escrow is 12 months from date of issue.

(e) For the purposes of this resolution, for the PPYEg Shares to be "*validly transferred*" to PPYM and be "*validly registered*" into the name of PPYM in the register of members of PPYEg "*free and clear of all encumbrances and restrictions save as contained in the PPYEg Constitution*" requires that;

  (f) the Conditions Precedent shall have been satisfied in or, in the case of the condition precedent in clause 3.1 of the Share Sale and Purchase Agreement (SPA) which was entered into between the Company, EBFC, PPYM and PPYEg on 23 January 2024 waived. Subject to the approval of the Transaction, the parties intend to amend Clause 3.1 of the SPA from "fair and reasonable" to "either/or fair and reasonable, fair but not reasonable, not fair but reasonable"

  (g) all requisite approvals or requirements of the members of each of EBFC and PPYEg shall have been obtained in compliance with all requirements of Egyptian Law and all applicable requirements of their respective constituent documents.

  (h) all requisite approvals or requirements under Egyptian Law and of any Relevant Governmental Authority to PPYM becoming the sole legal and beneficial of all of the shares in PPYEg shall have been obtained and complied with in full.

(i) EBFC shall have certified to the Company that the requirements set out in (b)(i) and (ii) have been satisfied in all respects with such certificate being signed by each of Mr Ramy Azer (Mr Azer) and Ms Heba Abdelhamid Abdelbadie Nayil (Ms Nayil) by authority of a validly passed resolution of the Board of Directors of EBFC [at which meeting Mr Azer and Ms Nayil shall have abstained from voting] and to which certificate shall be attached true and correct copies of all such requisite approvals and or consents of all such Relevant Governmental Authorities with each attachment being certified by a notary public or other like person as being a true and correct copy of the document of which it purports to be a copy.

(i) That in accordance with the exception in item 7 of section 611 of the Act, Mr Azer be authorised to increase his aggregate relevant interest and voting power in shares in the capital of the Company resulting from the issue and allotment of the New Shares from a relevant interest and voting power (each as defined within the meaning of the Act) of approximately 12.4186% as at the date of this Notice of Meeting to a relevant interest and voting power (each as defined within the meaning of the Act) of approximately 25.56% of the issued capital of the Company or to such other percentage relevant interest and voting power as may result from the issue and allotment of the New Shares.

1.1 That the issue of the New Shares to Newco in accordance with this resolution and the provision of any financial benefit to Mr Ramy Azer as a consequence thereof, as set out and described in the Explanatory Statement accompanying this Notice of Meeting, is hereby approved for the purposes of section 208 of the Act and for the purposes of Listing Rule 10.11 and for all other purposes.

That the issue of the New Shares to Newco in accordance with this resolution and the provision of any financial benefit to Mr Vincent Peter Rigano (Mr Rigano) as a consequence thereof, as set out and described in the Explanatory Statement accompanying this Notice of Meeting, is hereby approved for the purposes of section 208 of the Act and for the purposes of Listing Rule 10.11 and for all other purposes.

(j) The Conditions Precedent referred to are that this resolution shall be passed as an ordinary resolution in accordance with the Constitution, the Act and the Listing Rules and the further Conditions Precedent that;

(i) the members of EBFC:

(A) approve the sale and transfer of the EBFC PPYEg Shares to PPYM at a general meeting of the members of EBFC convened and held in accordance with the EBFC Constitution, Egyptian Law and the requirements of all Relevant Governmental Authorities and, as necessary, obtain all requisite consents and approvals required to give effect to same.

(B) approve the issue and allotment of the New Shares to Newco, in lieu of their issue and allotment to EBFC as the owner of the EBFC PPYEg Shares, in accordance with the EBFC Constitution, Egyptian Law and the requirements of all Relevant Governmental Authorities, and as necessary obtain all requisite consents and approvals required to give effect to same.

(C) obtain legal advice from appropriately qualified legal professionals expert in the area of company and corporate law in Egypt to the effect that under Egyptian Law, the transactions referred to in (i) (A) and (B) are compliant with the EBFC Constitution, Egyptian Law and the requirements of all Relevant Governmental Authorities and provide a true and correct copy of a translation of that advice, together with true and correct copies of translations of any consents or approvals referred to in (b) (i), (ii) and (iii) to the Company and its professional advisers.

(ii) the members of EBFC resolve by an effective resolution of the members of EBFC validly passed in a general meeting of the members of EBFC in accordance with Egyptian Law in general meeting to establish Newco pursuant to Egyptian Law and by such resolution determine the issue price of each share in Newco to be subscribed for pursuant to (iv) below.

(iii) Newco is so established.

(iv) each of the members of EBFC excepting PPYM and nobody else subscribes for the same number of shares in the capital of Newco as they currently hold in EBFC at the subscription price per share determined by the resolution of the members of Newco set by the resolution of the members of Newco referred to in (ii) above.

(v) that no other persons shall become members of Newco during the period from its incorporation until the EBFC PPYEg Shares have been validly transferred by EBFC to PPYM and been validly registered into the name of PPYM in the register of members of PPYEg free and clear of all encumbrances and restrictions as provided in (e) to (i) hereof.

(vi) the certificate referred to in (h) is given in accordance with the requirements thereof.

(vii) following the transfer of the EBFC PPYEg Shares to PPYM and the entry of PPYM's name on the register of members of PPYEg as the register proprietor thereof PPYEg shall be the legal and beneficial owner of all of the issued shares in the capital of PPYEg and that no person shall have any right or entitlement of any kind whatsoever to be issued and allotted any shares (of any class) in the capital of PPYEg on any account whatsoever.

(k) That the matters set out or referred to in (a) to (i) above (both inclusive) shall have been complied with in a timely fashion to enable the Company to issue and allot the New Shares to Newco within one month from the date of the meeting at which this resolution shall have been passed by the members of the Company in General Meeting: as required by the Listing Rule 10.13.5.

(l) That an Independent Expert's Report (**IER**) prepared by Nexia Perth Corporate Finance Pty Ltd ABN 84 009 342 661 (**Nexia**) commissioned by the independent directors of the Company (being those directors of the Company other than Mr Rigano) to accompany this Notice of Meeting shall have been prepared in compliance with the Act, the Listing Rules and, inter alia, all ASIC Regulatory requirements and that the IER shall have concluded that:

(i) for the purposes of Item 7 of section 611 of the Act, whether the Proposed Transaction is or is not "*fair"* and whether the Proposed Transaction is or is not "*reasonable"*.

(ii) for the purposes of Chapter 2E of the Act, the Proposed Transaction is "*not fair but reasonable*".

(iii) the report required by for the purposes of the Listing Rules 10.1 and 10.5.10 stating the expert's opinion as to whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes in favour of the transaction are not to be disregarded under Listing Rule 4.11(**Non-Associated Shareholders**) states whether the Proposed Transaction is or is not "*fair"* and whether the Proposed Transaction is or is not "*reasonable"*.

(m) Nexia has concluded in the IER that the transaction is "not fair but reasonable".

(n) That Newco and each controller of Newco shall have fully complied with the requirements set out in (a) to (d) above.

(o) That the Independent Directors shall have carried out due diligence on the proposed acquisition of the EBFC PPYEg Shares and have concluded that, in their opinion, the proposed transactions are in the best interests of the Company.

(p) In summary the proposed transaction if approved by members requires the issue of 86,945,752 ordinary fully paid shares to Newco for which EBFC will transfer its 50% in PPEg to PPYM resulting in PPYM having a 100% interest in PPYEg

(q) Financial benefits of the Transaction have not been included as they are currently not quantifiable as PPYEg Sohag research & development factory moves towards commercialisation of the intellectual property, however the advantages of the Transaction are;

(i) the ability to consolidate PPYEg profits and revenue into the Company consolidated financial statements.

(ii) the proposed Transaction will give the Company full control of the strategic objectives and operational directions for PPYEg and better align the interests between PPYEg and the Company boards, management, and shareholders.

(iii) Consolidation of operational resources, incorporation of intellectual property development and technology improvements with the Company.

(iv) No proposed cash outlay is involved in the Transaction as it consists of a share swap.

(v) Potential to increase liquidity in the Company.

(r) For the purpose of this resolution;

(i) **ASX** means ASX Limited (ACN 008 624 691)

(ii) **Regulatory Requirements** means all requirements of any Regulatory Authority having jurisdiction requirements to be met or satisfied for the passing and implementation of this resolution.

(iii) **Egypt** means the Arab Republic of Egypt and **Egyptian** means pertaining to Egypt in any way.

(iv) **Egyptian Law** is a reference to;

(A) the national laws of Egypt of any kind;
(B) the laws of any Governate or municipality in Egypt;
(C) all regulations, by laws, and other subordinate legislation and guidelines made pursuant to the laws referred to in (A) or (B);
(D) the requirements of any Relevant Governmental Authority;
(E) any applicable customary law in Egypt;

to the extent that they shall apply to any matter or thing contemplated to be done for the purposes of giving effect to the Proposed Transaction.

(v) **Escrow Period** means either one year from the date of issue and allotment of the New Shares; ASX classifies the New Shares as Restricted Securities, the ASX imposed escrow is 12 months from date of issue.

(vi) **Listing Rules** means the Listing Rules of ASX Limited.

(vii) **Newco** means a corporate entity to be incorporated under Egyptian Law and which is to be incorporated solely for the purposes of being issued and allotted and holding the New Shares in accordance with the terms and conditions set out in or contemplated by this resolution subject to such restrictions as may be referred to in (a) above or as may be agreed between the Company and Newco or as otherwise may be imposed by any Regulatory Authority, any Relevant Governmental Authority or under any applicable laws.

(viii) **Proposed Transaction** means the acquisition of the EBFC PPYEg Shares in accordance with this resolution, the satisfaction of the Conditions Precedent and the issue and allotment of the New Shares to Newco to be held by Newco in accordance with the provisions of this resolution.

(ix) **Regulatory Authority** means any Australian State or Federal government department, any statutory authority (whether Federal or State) or any other party under any applicable law which has a right to impose a requirement in relation to the Proposed Transaction or whose consent is required to enable the Proposed Transaction to be completed.

(x) **Relevant Governmental Authority** means, in relation to the Arab Republic of Egypt, any Egypt government department, local government council, government or statutory authority or any other party under a Egyptian Law which has a right to impose a requirement or whose any government department, local government council, government or statutory authority or any other party under a law which has a right to impose a requirement in relation to the Proposed Transaction or whose consent is required under Egyptian Law to enable the Proposed Transaction to be completed.

2. PROXIES

A Shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the Shareholder at the Meeting. A proxy need not be a Shareholder. If the Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise.

A form of proxy accompanies this Notice of Meeting.

To record a valid vote, a Shareholder will need to take the following steps:

(a) complete and lodge the manual proxy form at the share registry of the Company, Computershare Investor Services Pty Limited:

(i) by post at the following address:

Computershare Investor Services Pty Limited
GPO Box 242
MELBOURNE VIC 3001 OR

(ii) by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

(iii) online by visiting www.intermediaryonline.com for Intermediary Online subscribers only (custodians).

(iv) Shareholders can also cast their proxy votes online, including by smartphone, at www.investorvote.com.au.

so that it is received no later than 10.30 am (Adelaide time) on 26 June 2024.

(b) Important information with respect to the Resolution

If you elect to appoint the Chair of the Meeting as your proxy, you do not need to direct the chair how you wish him to exercise your vote on the Resolution. However, by completing the proxy form, and appointing the Chair of the Meeting as your proxy with no voting instruction, you authorise the chair to exercise his discretion in exercising your proxy.

Alternatively, if you appoint the chair of the Meeting as your proxy you can direct the Chair of the Meeting to vote for or against or abstain from voting on the Resolution by marking the appropriate box on the proxy form.

The Chair of the Meeting intends to vote undirected proxies in favour of the resolution.

3. 'SNAP SHOT' TIME

The Company may specify a time, not more than 48 hours before the Meeting, at which a '*snap-shot'* of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting.

The Directors have determined that all Shares that are quoted on ASX as at 6.30pm (Adelaide time) on 26 June 2024 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

4. CORPORATE REPRESENTATIVE

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the corporate shareholder's constitution and the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or share registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

5. Requirements of Listing Rule 10.1: Acquisition of a significant asset

(a) In accordance with Listing Rule 10.5.1, it is stated that the EBFC PPYEg Shares are to be acquired from EBFC.

(b) Also in accordance with Listing Rule 10.5.1, it is stated that the EBFC PPYEg Shares will be acquired from an Associate of a Related Party of the Company. In amplification;

(i) In relation to EBFC;

(A) Mr Azer is a shareholder in EBFC (the proposed transferor of the EBFC PPYEg Shares to PPYM) holding 851,800 ordinary shares in EBFC representing approximately 16.88% of the issued capital of EBFC.

(B) Mr Rigano is a shareholder in EBFC holding 52,821 ordinary shares in EBFC representing approximately 1.05% of the issued capital of EBFC.

(ii) In relation to the Company;

(A) Mr Azer is a Director of PPYM and is a substantial shareholder in the Company having a relevant interest 61,185,253 fully paid ordinary shares representing approximately a relevant interest and a voting power of 12.42%. Mr Azer falls within Listing Rule 10.1.3 being a person who is or was at any time in the six months before the transaction or agreement, a substantial (10%+) holder in the entity. Mr Azer is deemed to be a related party under S228 (4) the Act by virtue of his directorship in PPYM and a substantial shareholder of the Company.

(B) Mr Rigano is a Director of the Company having a relevant interest in 13,807,578 Shares representing a relevant interest and a voting power of 2.80%. Mr Rigano falls within Listing Rule 10.1.1 being a related party of the entity. Post the transaction, Mr Rigano will have a direct and indirect interest in 15,305,272 shares in the Company and a voting power of 2.64%.

(iii) In relation to PPYM;

(A) Mr Azer is a director of the Company;

(B) Mr Rigano is Company Secretary;

(iv) In relation to PPYEg;

(A) Mr Azer is a director of the Company;

(v) In relation to Newco, on its establishment;

(A) Mr Azer will be both a director and shareholder of Newco holding 851,800 ordinary shares being approximately 27.78% of the issued capital thereof;

(B) Mr Rigano will be a shareholder holding 52,821 ordinary shares being approximately 1.72% of the issued capital thereof.

(c) A graphical chart of Mr Azer relationship with all the entities is outlined in Appendix 1 and a graphical chart of Mr Rigano relationship with all the entities in outlined in Appendix 2

(d) As required to be stated by Listing Rule 10.5.3, the EBFC PPYEg Shares (as referred to in the resolution and as more fully described in the Explanatory Statement which forms part of this Notice of Meeting) are being acquired by PPYM (a wholly owned subsidiary of the Company) from EBFC in consideration of the issue and allotment of the New Shares (as defined in the resolution) to Newco on the terms and conditions set out in the resolution.

(e) As required to be stated by Listing Rules 10.5.4 and 10.5.5, the amount of funds required to fund the acquisition is NIL. The sole consideration for the acquisition of the EBFC PPYEg Shares is the issue and allotment of the New Shares to Newco. The New Shares will be 86,945,752 new ordinary shares in the capital of the Company (or such other number of ordinary shares as shall comprise fifteen percent (15%) of the issued capital of the Company subsequent to the issue and allotment thereof).

(f) In accordance with Listing Rule 10.5.7, it is stated that the timetable by which the Proposed Transaction will be completed will be within one month after the date of the General Meeting.

(g) The acquisition of the EBFC PPYEg Shares is made pursuant to an agreement, (the SPA), a summary of which is set out in Section 18 of the Explanatory Statement which accompanies this Notice of Meeting in accordance with Listing Rule 10.5.8.

(h) A Voting exclusion Statement in accordance with Listing Rule 10.5.9 is set out on page 2 of this Notice of Meeting.

(i) An Independent Expert's Report (IER) has been obtained from (Nexia) for the purposes of Listing Rule 10.5.10. A Copy of the IER is available on the Company's website papyrusaustralia.com.au , if requested by a holder or ordinary fully paid shares, a hard copy of the IER will posted to the holder.

6. Requirements of Listing Rule 10.11: Approval for Issue of Securities

Listing Rule 10.11 requires that the following information be provided to members in respect of the resolution for the purposes of obtaining shareholder approval to the issue of the New Shares to Newco.

(a) In accordance with Listing Rules 10.13.1 and 10.13.2, it is stated that the New Shares are to be issued and allotted to Newco, an entity to be incorporated pursuant to Egyptian Law prior to the proposed completion date for the Proposed Transaction which, on incorporation, of which a Related Party of the Company will be an Associate. The Related Party's referred to in 7.1 is Mr Rigano who falls within Listing Rule 10.1.1 and Mr Azer who falls within Listing Rule 10.1.3

(b) In accordance with Listing Rule 10.13.3, it is stated 86,945,752 new ordinary shares in the capital of the Company (or such other number of shares as shall comprise fifteen percent of the issued capital of the Company subsequent to the issue and allotment thereof) (New Shares) are proposed be issued and allotted to Newco pursuant to the resolution with those shares to be issued and allotted on the terms of and subject to the restrictions set out in the resolution.

(c) In accordance with Listing Rule 10.13.4, it is stated that each of the New Shares will be credited as fully paid up.

(d) In accordance with Listing Rule 10.13.5, it is stated that the timetable by which the Proposed Transaction will be completed will be within one month after the date of the General Meeting.

(e) In accordance with Listing Rule 10.13.6, it is stated that the consideration which the Company will receive for the issue will be the EBFC PPYEg 100,000 Shares which are the subject of the Independent Expert's Report (IER) prepared by Nexia which contains details of the PPYEg and its business and activities.

(f) In accordance with Listing Rule 10.13.7, it is stated that no funds will be raised by the issue.

(g) Listing Rule 10.13 .8 is not applicable.

(h) In accordance with Listing Rule 10.13.9, it is stated that the acquisition is made pursuant to an agreement, a summary of which is set out in Section 18 of the Explanatory Statement which accompanies this Notice of Meeting in accordance with Listing Rule 10.5.8.

(i) In accordance with Listing Rule 10.13.10, it is stated that a voting exclusion statement is set out in this Notice of Meeting.

7. Chapter 2E Corporations Act requirements

In accordance with Chapter 2E of the Act, in order to give a financial benefit to a related party, the Company must obtain Shareholder approval in the manner set out in section 217 to 227 of the Corporations Act and give the benefit within 15 months following such approval unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Act.

The proposed issue of the New Shares constitutes giving a financial benefit to each of Mr Ramy Azer (Mr Azer) and Mr Vincent Peter Rigano (Mr Rigano) each of whom is a related party of the Company.

Accordingly, and in accordance with the requirements of section 219 of the Act, the following information is provided.

(a) The related parties who would benefit from the resolution are Mr Azer and Mr Rigano (each a "Related Party").

(b) The nature of the financial benefit is any financial benefit which may flow to the Related Party as a consequence of the Related Party:

  (i) ceasing to hold shares in EBFC (which is an unlisted company incorporated in Egypt) which shares are illiquid and whose sole asset comprises the EBFC PPYEg Shares which are likewise illiquid; and

  (ii) commencing to hold shares in Newco which, although illiquid, will hold not less than 86,945,752 new ordinary shares in the capital of the Company (or such other number of New Shares as shall comprise fifteen percent of the issued capital of the Company subsequent to the issue and allotment thereof) which, subsequent to the 12 month escrow period to which they will be subject on issue will become tradable on the stock market conducted by ASX, thus creating a more fungible and liquid asset which may be converted into money in the event that the then board of Directors of Newco resolve to sell or dispose of same with the resultant prospect of each Related Party being more readily able to access any proceeds of sale of the New Shares.

It should be noted that, although Mr Azer and Mr Rigano will have an aggregate relevant interest of approximately 29.5% in the capital of Newco on its establishment, neither of their future relevant interests in shares in Newco are sufficiently great to enable them, or either of them acting in concert, to cause Newco to sell any of the New Shares on the release of the New Shares from escrow or, even if such New Shares are sold, to cause any distribution of the proceeds of any such sale to the members of Newco to enable them, or either of them to access any such proceeds of sale. Any such action would require Ms Heba Nayil (who is a Director of both PPYEg and EBFC and will become the controlling shareholder in Newco) to approve such action. Ms Heba is not a related party of the Company.

As a consequence, the financial benefits referred to may be of minimal, if any value, to either Related Party.

The amount of any financial benefit which each Related Party may obtain is impossible to quantify as it will depend on matters beyond the control of each Related Party.

(iii) In clause 3.1 of the Independent Expert's Report prepared by Nexia as contained in the Explanatory Statement, in considering whether the transaction is "*fair*" and "*reasonable*" for the purposes of Chapter 2E of the Act, Nexia concluded that their analysis "*shows that the fair value of a Papyrus Australia share on a minority basis after the Proposed Transaction is lower than the fair value of a Papyrus Australia share on a control basis before the Proposed Transaction".* Therefore, Nexia "concluded that the Proposed Transaction is not fair to Shareholders".

However, Nexia concluded that the Proposed Transaction is reasonable, for the reasons set out in their report.

(iv) Members are referred to Note 7(b) above and to clause 12 and, in particular clause 12.2, in the Explanatory Statement which further analyses the nature of the financial benefit (as defined and <u>deemed</u> by section 229 of the Corporations Act). As outlined in in clause 12.2 (a) of the Explanatory Statement, the indirect number of New Shares attributable to Mr Azer as a result of his holding in Newco will be 24,152,062.

(v) The only directors to have an interest in the outcome of the proposed resolution are Mr Azer who is a director of PPYM and Mr Rigano has an interest as he is a director of the Company, and the benefit that each of them will derive from the Proposed Transaction is the financial benefit, if any, which may be derived as referred to above.

(vi) Within the knowledge of the directors, there is no other information reasonably required by members in order to decide whether or not it is in the interest of the members to pass the proposed resolution. Clearly, the effect of passing the resolution and issuing the New Shares is to dilute members interests proportionately and to reduce the respective voting power of each of them proportionately.

Each of the directors (with Mr Rigano abstaining) recommends to members that they vote in favour of the resolution for the reasons stated above.

The chair intends to vote undirected proxies in favour of Resolution.

8. REQUIREMENTS OF SECTION 611 OF THE CORPORATIONS ACT: EXCEPTION 7: ACQUISITIONS APPROVED BY SHAREHOLDER RESOLUTION

Under the Corporations Act, there are specific requirements that are to be complied with for a resolution to be validly passed in accordance with Exception 7 in the table to Section 611 of the Corporations Act to permit an acquisition of shares to take place as an exemption from the prohibition in Section 606 of the Corporations Act.

Again, for the purpose of complying with those requirements, the Company commissioned [Nexia] to provide its Independent Expert's Report.

Nexia, as the Independent Expert, has concluded in its Independent Expert's Report (**IER**) that the proposed transaction is *not fair but reasonable* and members should read Nexia's report in its entirety. However, Members should also refer to clause 15.1 of the Explanatory Statement.

The Act requires that neither the person proposing to make the acquisition, can vote in favour of the resolution. Accordingly, the Notice of Meeting contains a voting exclusion statement which is set out on page 2 of this Notice of Meeting.

The Corporations Act requires that the members be provided with all information that is material to a decision to vote on the resolution, and which is known either to the person proposing to make the acquisition, or is known to the Company.

In fulfilment of that obligation, members are referred to the IER and to the accompanying Explanatory Statement of which the IER forms part and to the information contained herein generally, and more specifically, to the following:

(a) The proposed acquirer of the shares is Newco, which is proposed to be incorporated in Egypt under Egyptian Law prior to the proposed completion date for the Proposed Transaction. In relation to Newco, on incorporation, Mr Azer will be both a director and shareholder of Newco holding 851,800 ordinary shares being approximately 27.78% of the issued capital thereof;

(b) At present, Mr Azer has a relevant and beneficial interest in 61,185,253 fully paid ordinary shares in the capital of the company representing voting power of 12.42% (within the meaning of section 610 of the Act) in the capital of the Company being;

    (i) 30,756,400 shares held by Bijo (SA) Pty Ltd <Azer Family A/C>.

    (ii) 30,137,489 shares held by Mr Ramy Azer <Azer Family A/C>.

    (iii) 291,364 shares held by Mr Ramy Azer <Azer Family A/C>.

(c) On completion of the transaction and the issue of the 86,945,752 New shares to Newco, Mr Azer's relevant interest in shares in the Company will have increased from a relevant interest in 61,185,253 shares representing a relevant interest in 12.42% of the issued capital of the Company and the 12.42% voting power associated therewith to a relevant interest in 148,131,005 shares (representing a relevant interest and a maximum voting power of 25.56% associated herewith) by virtue of the matters set out below.

(d) The present issued capital of the Company is 492,692,593 fully paid ordinary shares and of those:

(e) Mr Azer has a relevant interest in a total of 61,185,253 fully paid ordinary shares representing approximately 12.42% of the issued capital of the Company.

(f) Egyptian Banana Fibre Company ECN 46751 (**EBFC**) is a corporation incorporated in Egypt.

    (i) The issued capital of EBFC is 5,045,484 ordinary shares and of those Mr Azer owns 851,800 shares representing approximately 16.88% of its issued capital.

    (ii) As part of the transaction EBFC will establish a new entity under Egyptian Law (**Newco**) and all of the shareholders in EBFC excepting PPYM will become the shareholders of Newco in proportion to their existing shareholdings in EBFC.

(iii) on incorporation of Newco:

(A) Newco will have an issued capital of 3,066,421 shares of which Mr Azer will own 851,800 shares representing approximately 27.78% of Newco's issued capital.

(B) Mr Azer will be a director of Newco.

(g) As a result of the Proposed Transaction and the acquisition the issued capital of the Company will increase by a maximum of 86,945,752 shares to a total maximum issued capital of 579,638,345 shares of which Mr Azer and his Associates will hold 61,185,253 Shares and of which Newco will hold 86,945,752 Shares.

(h) On the basis that Newco is issued and allotted 86,945,752 shares in the capital of the Company Mr Azer will be deemed, pursuant to section 608(3) of the Act, to have a relevant interest in all of the shares in the Company in which Newco shall have a relevant interest within the meaning of the Act having the following effects on Mr Azer's voting power relating to shares in the capital of the Company:

(i) Mr Azer's will have a relevant interest and voting power in 148,131,005 shares and his present voting power of 12.42% will increase to a maximum voting power of 25.56%.

(ii) The maximum extent of his increase in such voting power will be an increase of 13.14% resulting from the deeming provisions of section 608(3) of the Act.

(iii) The maximum extent of the increase in voting power or the deemed increase in the voting power of each of Mr Azer's Associates that would result from such acquisition will be an increase of 13.14%.

(iv) The voting power or deemed voting power that each of Mr Azer's Associates would have as a result of the acquisition will be 25.56%.

(i) The above calculations of voting power ignore the possible issue and allotment of further shares by the Company prior to completion of the transaction: which would dilute those calculations.

(j) Mr Azer was a founding shareholder of the company and the inventor of the technology employed by the Company and by PPYEg in Egypt. Full details of Mr Azer are set out in various of the Company's releases to ASX from its initial listing on ASX until the present date.

(k) Insofar as the intentions of Mr Azer and his Associates regarding the future of the Company are concerned, they have provided the Company with the following information regarding the future of the Company and on the basis of that information, the documentation reported on herein and information generally in the possession of the Company, it is stated that:

(i) they intend that the Company will continue to pursue the current business operations of the Company and its subsidiaries, including PPYEg (which will become a subsidiary of the company on completion of the transaction) in substantially the same manner in which those activities are presently carried on or proposed to be carried on, continue to grow that business in Egypt and to endeavour to expand that business into Africa generally.

(ii) they intend to support the Board in its endeavours to implement the Company's business plans as set out in the Explanatory Statement

(iii) There are no proposals whereby any property will be transferred between the Company and any of them, or between any of the parties named or any of their associates.

(l) It is not presently the intention of any of Mr Azer or of any of his Associates or of any of the Directors that:

(i) any part of the Company's present undertaking should be transferred to any third party or parties of any kind whatsoever;

(ii) there should be any major redeployment of the Company's assets, fixed or otherwise;

(iii) any further capital will be injected into or raised by the Company in conjunction with the acquisition;

(iv) there should be any change to the future employment of any of the Company's present employees;

(m) All directors voted in favour of the resolution to put the Resolution to a meeting of members and all directors have reviewed the Explanatory Statement of which this Notice of Meeting forms part and voted in favour of the despatch thereof to members with this Notice of Meeting.

(n) The Company has made losses for some time and not paid any dividends. It therefore has no dividend policy which could be changed by any of the above named persons.

(o) A report by Nexia as Independent Expert that forms part of this Explanatory Statement concludes that the transactions are not fair but reasonable to the non-associated shareholders.

(p) The Company intends that Ms Nayil and Mr Azer will continue as directors of PPYEg under contract to provide services to PPYEg. Each of Mr Azer and Ms Nayil have advised the Company that they likewise intend to continue as directors of PPYEg and provide services to PPYEg under contract.

(q) The Company has also been informed by Ms Nayil that, while she may not be a related party of the Company, she has the same intentions in relation to the matters set out in 8 (l) above as has Mr Azer and likewise has the same intentions as has Mr Azer and his Associates as set out in 8 (k) above.

Several of the matters referred in this Note are statements of future intent and/or are forward looking statements. Clearly the occurrence of events which are presently unforeseen and unknown could cause those intentions to change if the circumstances of the Company change from those which exist at present. In that circumstance the persons named herein may well change their attitudes in relation to the ongoing operations and business activities of the Company in like manner as any other shareholder.

APPENDIX 1 –Mr Azer's interests

CHART 1 Mr Azer - position pre consolidation

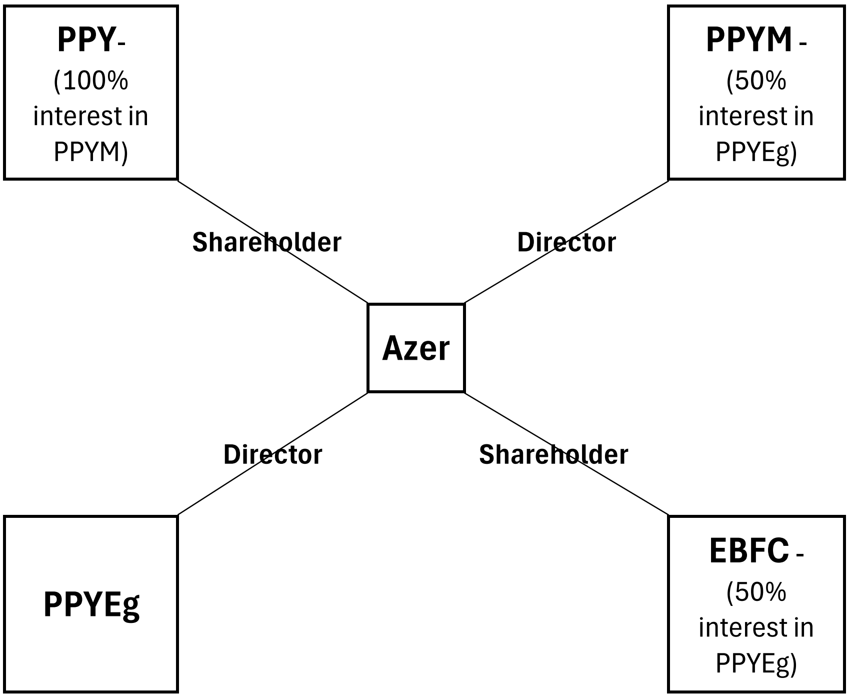
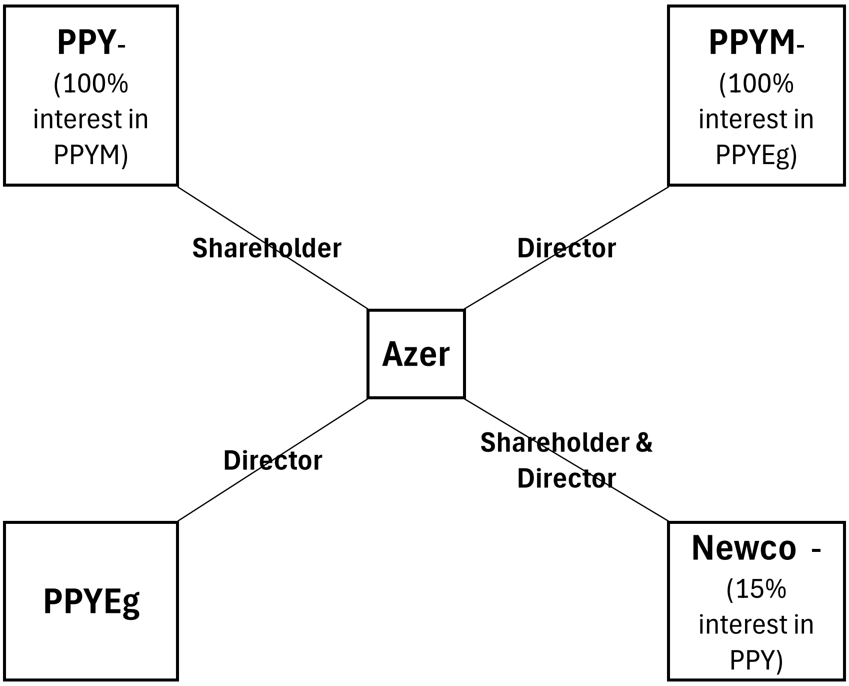


CHART 2 Mr Azer - position post consolidation



APPENDIX 2 – Mr Rigano's interests

CHART 1 Mr Rigano - position pre consolidation

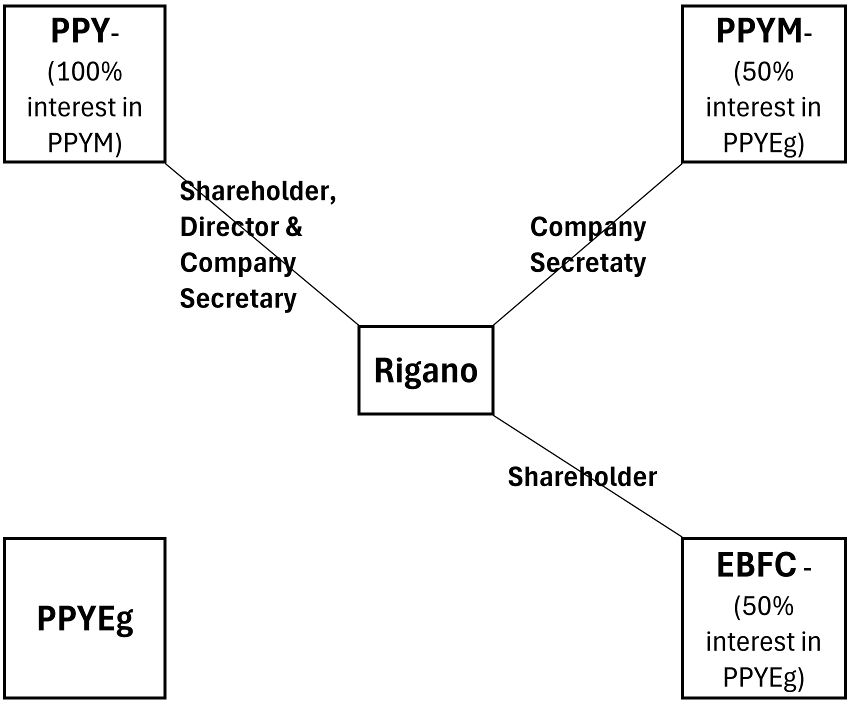
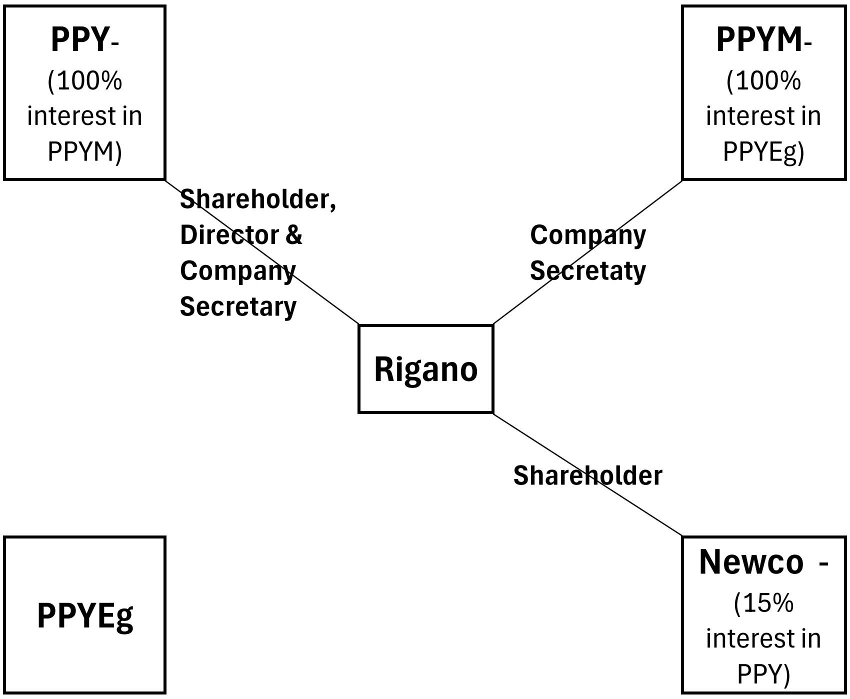


CHART 2 Mr Rigano - position post consolidation



Appendix 3 - Shareholder Ownership Table Pre & Post Consolidation

Shares Held	Pre Consolidation % held	Post Consolidation % held
2,100	0.0004%	0.0004%
15,000	0.0030%	0.0026%
150,347	0.0305%	0.0259%
467,494	0.0949%	0.0807%
1,447,257	0.2937%	0.2497%
5,400,000	1.0960%	0.9316%

The table above is an illustration of the dilution effect of the Proposed Transaction for an example set of shareholdings.

THIS DOCUMENT IS IMPORTANT. IF YOU DO NOT UNDERSTAND IT OR ARE IN ANY DOUBT AS TO HOW TO DEAL WITH IT, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

PAPYRUS AUSTRALIA LIMITED

ACN 110868409

THE MEETING WILL BE HELD AT 10.30 A.M. (ADELAIDE TIME) ON 28 JUNE 2024 AT THE OFFICES OF BDO AUDIT PTY LTD, LEVEL 7, BDO CENTRE, 420 KING WILLIAM STREET ADELAIDE SA 5000.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE PROPOSED TRANSACTION AND THE ISSUE OF THE NEW SHARES AS CONSIDERATION FOR THE ACQUISITION OF THE SHARES IN PAPYRUS EGYPT LLC IS "*NOT FAIR BUT REASONABLE".*

NOTWITHSTANDING THAT THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE PROPOSED TRANSACTION IS NOT "*FAIR*" EACH OF THE INDEPENDENT DIRECTORS RECOMMENDS THAT THE RESOLUTION BE PASSED AND THAT THE PROPOSED TRANSACTION BE IMPLEMENTED.

Papyrus Australia Ltd ABN 63 110 868 409 Corporate Information

Directors
Mr Edward Byrt (Chairman)
Mr David Attias (Non-Executive Director)
Mr Pascal Gouel (Executive Director)
Mr Vincent Peter Rigano (Non-Executive Director)

Company Secretary
Mr Vincent Peter Rigano

Registered Office
C/- V P Rigano & Co Pty Ltd Level 2, 2 Peel Street ADELAIDE SA 5000

Principal place of business
C/- V P Rigano & Co Pty Ltd Level 2, 2 Peel Street ADELAIDE SA 5000

Share Registry
Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street
ADELAIDE SA 5000

Auditors
BDO Audit Pty Ltd
Level 7, BDO Centre
420 King William Street ADELAIDE SA 5000

Dear Member,

Papyrus Australia Limited (Company or PPY), through its wholly owned subsidiary Papyrus Manufacturing Pty Ltd (**PPYM**) owns fifty percent (50%) of all of the issued shares in the capital of *Papyrus Egypt for the Manufacture of Banana Fibre Company LLC:* National Company number 27809292102441 (**Papyrus Egypt** or **PPYEg**).

The other fifty percent of the shares in PPYEg are owned by *The Egyptian Banana Fibre Company: National Company number 46751* (**EBFC**).

This Explanatory Statement and the Notice of Meeting (**NOM**) of which it forms part together outline and explain a proposal for PPYM to acquire all of the shares in PPYEg owned by EBFC (**the EBFC PPYEg Shares**) in consideration of the issue of that number of ordinary shares in the capital of PPY as will equal fifteen percent (15%) of the Company's issued capital subsequent to completion of the acquisition (the **New Shares**).

The acquisition is called the Proposed Transaction both in this Explanatory Statement and in the Independent Expert's Report from prepared by Nexia Perth Corporate Finance Pty Ltd ABN 84 009 342 661 (Nexia). That report is herein called the Nexia Report and is set out in Schedule A to this Explanatory Statement. Nexia has given its written consent to the inclusion of the Nexia Report to all references to the Nexia Report being included in this Explanatory Statement report, in the form and context in which the Nexia Report and all such references are included herein.

All Members are recommended to read the Nexia Report carefully and in full in conjunction with this Explanatory Statement and the NOM.

If after reading those documents you have any questions about the Proposed Transaction or do not understand any aspect of the Proposed Transaction or any other matter set out herein, then you should consult your solicitor, accountant, financial adviser, stockbroker or other appropriately qualified professional adviser.

Purpose of Meeting

The General Meeting (**Meeting**) of members of the Company (**Members**) is required to be held to approve the Proposed Transaction and the issue of the New Shares in exchange for the EBFC PPYEg Shares because;

(a) each of Mr Vincent Peter Rigano (**Mr Rigano**), who is a director of the Company and Mr Ramy Azer (**Mr Azer**) who was a founding director of the Company and who is a substantial shareholder in the Company are both related parties of the Company and will receive financial benefits from the Company on the implementation of the Proposed Transaction; and

(b) the issue of the New Shares as consideration for the acquisition of the EBFC PPYEg Shares will increase Mr Azer's existing relevant interest and voting power in the Company from its present 12.42% to a total of 25.56% by virtue of the deeming provisions in section 608(3) of the Act.

The above matters require various approvals of members of the Company both under both the Corporations Act 2001 (**Act**) and the Listing Rules of ASX Limited (**Listing Rules**).

The giving of financial benefits

The giving of financial benefits to each of Mr Rigano and Mr Azer requires approval of Members in accordance with:

(a) first, the provisions of Chapter 2E of the Act and, in particular, sections 208 and 219 of the Act; and,

(b) secondly, the provisions of Listing Rule 10.10.

The acquisition of a significant asset

The acquisition the EBFC PPYEg Shares will constitute the acquisition of a "*significant asset*" (as defined in Listing Rule 1.1) and is being put to Members for approval under Listing Rule 10.1 Although, technically, EBFC is not a related party of the Company Mr Azer is and the Board has determined to comply with Listing Rule 10.1 in like manner as if the acquisition was direct from Mr Azer, given the relationships between Mr Azer, EBFC, and PPYEg.

Increase in Relevant Interests and Voting Power

The increase in Mr Azer's relevant interest and voting power in shares in the Company require approval under item 7 of the table in section 611 of the Act. This is dealt with in 8.2 of the Explanatory Statement.

Directors' opinion as to the advantages of implementing the Proposed Transaction

The Directors of the Company other than Mr Rigano (the Independent Directors) are of the opinion that the acquisition of the EBFC PPYEg Shares from EBFC, making PPYEg a wholly owned subsidiary of the Company, will provide the Company with significant advantages and benefits. These are set out in more detail in clause 14 of the Explanatory Statement and include;

- consolidating the management team of PPYEg and allying it solely to the Company's interests.

- avoiding potential conflicts of interest between EBFC and the Company over the conduct of PPYEg and its business.

- increasing the Company's asset base by giving it full ownership and control over PPYEg's business.

- enabling the Company to control PPYEg's revenue streams to maximise the Company's objectives.

- strengthening the Company's financial profile by being able to consolidate PPYEg as a wholly owned subsidiary with the prospect of increasing the Company's appeal to prospective investors.

Possible disadvantages

The Independent Directors consider that the primary disadvantage Members will suffer from the Proposed Transaction will be dilution of their shareholdings. However, this is the same for the Independent Directors and their Associates.

Mitigating this potential disadvantage is that the New shares to be issued to Newco will be voluntarily escrowed for 12 months and ASX classifies the New Shares as Restricted Securities, the ASX imposed escrow is 12 months from date of issue.

Another potential mitigating factor is that the implementation of the Proposed Transaction, and the advantages that the Independent Directors perceive may flow from that, may be to increase the attractiveness of the Company to investors and this may lead to an increase in the market value of the Company's shares.

The perceived disadvantages are set out in 15 of the Explanatory Statement.

The Independent Directors all Recommend you vote in favour of the Resolution.

The reasons for the Independent Directors recommendations are set out in clause 17 of the Explanatory Statement and these reasons include that Nexia, as the Independent Expert, has concluded that the Proposed Transaction is "reasonable" from the point of view of the **Non-Associated Shareholders**: being all those Members of the Company other than Mr Rigano and his Associates and Mr Azer and his Associates.

You should note that Mr Rigano abstained from voting at the board meeting to approve the convening of the Meeting because he has an interest in its outcome and that each of Mr Rigano and his Associates and Mr Azer and his Associates will all abstain from voting on the Resolution as each of Mr Rigano and Mr Azer have an interest in the outcome of the Resolution.

Opinion of Independent Expert

The Independent Expert's Report provided by Nexia (Nexia Report) was commissioned by the Independent Directors of the Company.

The Nexia Report concluded that the Proposed Transaction is "not fair but reasonable".

Nexia concluded that the Proposed Transaction was "*not fair*" because they concluded that the value of a share in the Company valued on a minority basis is less after the implementation of the Proposed Transaction than before implementation.

Nexia did however conclude that the Proposed Transaction was "*reasonable*" for the reasons set out in clause 3.2 and clause 12 of the Nexia Report. Members should have specific reference to those reasons and the advantages and disadvantages of implementation of the Proposed Transaction.

Those advantages, disadvantages and reasons are included in the more extensive analysis of the advantages and disadvantages that the independent Directors perceive are associated with implementing or not implementing the Proposed Transaction as set out in clauses 14

(Advantages) and 15 (Disadvantages) below, resulting in the Independent Directors Recommendations in clause 17 below.

In this Explanatory Statement, the Company presents you with a wide range of details, relevant information and considerations to take into account in making your decision on how to vote at the meeting. I encourage you to take the time to read this material.

The independent directors are, after considering all of the material available to them, of the opinion that the implementation of the proposed Transaction will be in the best interests of members as a whole for the reasons set out herein.

Each of the Independent Directors recommends that you vote in favour of the Resolution to be put to the Meeting so that Proposed Transaction can be implemented.

I urge you to read this Explanatory Statement carefully in full and, if you do not understand it or any part of it, I recommend that you consult an expert adviser familiar with your investment circumstances before making your decision.

Yours sincerely

Edward Byrt
Chairman

3 May 2024

1. General Background

Papyrus Australia ("**the Company**") is the developer of a world-first, sustainable technology that converts banana plantation waste into valuable fibre and biodegradable food packaging products.

Through a wholly owned subsidiary Papyrus Manufacturing Pty Ltd ("**PPYM**") the Company has undertaken the development of a significant project in Egypt through a joint venture with the Egyptian Banana Fibre Company ("**EBFC**") within a corporate Egyptian entity Papyrus Egypt ("**PPYEg**").

The Company has, over time, provided significant funding to support EBFC and, as a result has acquired 39.22% of the issued shares in EBFC, both by subscription and purchase.

Notwithstanding that, under the joint venture, the Company has direct ownership of 50% of the issued capital of PPYEg and from funding EBFC, has acquired an indirect economic interest in a further 19.61% of PPYEg through its shareholding in EBFC, those direct and indirect interests do not give the Company control of EBFC.

Consequently, the Company cannot control PPYEg's business or financial operations, which it seeks to do. From the Company's point of view, this is a major disadvantage of the current structure and limits what the Independent Directors believe may be achieved in the future through total control of PPYEg which is what the Proposed Transaction is intended to achieve.

As a consequence, the Independent Director's determined in 2023 to "consolidate" the operations in Egypt under the Company's control by acquiring the balance of the shares in PPYEg so that PPYEg would become a wholly owned subsidiary.

The non-PPYM shareholders in EBFC (also thereby being indirect owners of equity in PPYEg) have agreed to the acquisition terms and those terms are incorporated in a Share Sale and Purchase Agreement (**SPA**) which was entered into between the Company, EBFC, PPYM and PPYEg on 23 January 2024 as announced to ASX on 29 January 2024.

Under the SPA the Company agreed to acquire the shares in PPYEg held by EBFC (**the EBFC PPYEg Shares**) from EBFC in consideration of the issue of that number of new shares in the capital of the Company as would represent 15% of the Company's capital post issue (**New Shares**) with the New Shares being issued for the benefit of the Non-PPYM shareholders in EBFC (including Mr Azer and Mr Rigano).

To ensure that PPYM would not acquire an interest in the New Shares, the SPA provides that a new corporate entity (**Newco**) would be established in Egypt which would have as its sole shareholders all of the members of EBFC other than PPYM with those shareholders owning 100% of the capital of Newco in the same proportion as they hold their shares in EBFC.

The number of New Shares to be issued to Newco is 86,945,752 New Shares: subject to no further changes in the capital of the Company taking place before their issue.

The existing capital of EBFC will not change.

A more detailed summary of the PSA is set out in clause 18 below and a copy of it will be tabled at the Meeting.

2. Effect of the Proposed Transaction on the Company's financial Position.

Save that the Company will pay the costs associated with obtaining approval of the Proposed Transaction, including, without limitation, the costs of the Nexia Report, legal costs incurred in the preparation of the documentation, the costs of convening and holding the Meeting and all costs associated with ASIC and ASX and lodgement of documents with those regulatory authorities and all Share Registry costs, the Proposed Transaction and the issue of the New Shares will have minimal immediate effect on the Company's financial position with the expected cost to be incurred relating to the Transaction to be in the vicinity of $80,000. Based on the volume of Company shares traded and price on the seven days preceding the NOM date, *25 April 2024*, the value of the 15% capital issued to the related parties will be approximately $869,548, Potential longer terms financial effects are set out in13.2 below.

3. Present Shareholdings and relationships

3.1 Mr Azer is:

(a) the past managing director of the Company.

(b) a related party of the Company, being a substantial shareholder in the Company with a relevant interest in 61,185,253 shares in the Company comprising approximately 12.42% of the present issued capital of the Company.

(c) a shareholder in EBFC holding 851,800 shares comprising approximately 16.88% of its capital.

(d) a director of PPYEg.

(e) a consultant to PPYEg.

(f) a director of PPYM.

3.2 Mr Rigano is:

(a) a related party of the Company being a Director of the Company.

(b) Company Secretary of the Company.

(c) a shareholder in the Company having a relevant interest 13,807,578 shares in the Company comprising approximately 2.80% of the present issued capital of the Company.

(d) a shareholder in EBFC holding 52,821 Shares in EBFC representing approximately 1.05% of its issued capital.

(e) Company Secretary of PPYM.

3.3 PPYM holds 1,979,063 Shares in the capital of EBFC representing approximately 39.22% of its capital

4. Changes in shareholdings subsequent to implementation of the Proposed Transaction.

4.1 Mr Azer would:

(a) remain a substantial shareholder in the Company with a relevant interest in 61,185,253 shares in the Company.

(b) remain a shareholder in EBFC, holding 851,800 shares in EBFC representing approximately 16.88% of the issued capital of EBFC.

(c) become a shareholder in Newco holding 851,800 shares representing 27.78% of its 3,066,421 issued shares.

4.2 As a consequence of the matters in 4.1:

(a) Mr Azer will be deemed by section 608(3) of the Act to have a relevant interest and voting power in relation to all the New Shares issued to Newco. That deemed interest increases his relevant interest and voting power in shares in the Company to in excess of 20% and requires approval of Members in accordance with the requirements of Item 7 in the table in section 611 of the Act. This is set out in detail in clauses 7 and 8 below.

(b) Mr Azer will also have received a financial benefit from the issue of the New Shares to Newco which, because he is a related party of the Company, will also require approval of the Members under both Chapter 2E of the Act and under Listing Rule 10.10.

4.3 Mr Rigano would:

(a) remain a shareholder in the Company with a relevant interest in 13,807,578 shares in the Company, representing 2.80% of its issued capital.

(b) remain a shareholder in EBFC holding 52,821 Shares in EBFC representing 1.05% of its issued capital.

(c) become a shareholder in Newco holding 52,821 shares representing 1.72% of its 3,066,421 issued shares.

4.4 As a consequence of the matters in 4.2(a) Mr Rigano will also have received a financial benefit from the issue of the New Shares to Newco which, because he is also a related party of the Company, will also require approval of the Members under both Chapter 2E of the Act and under Listing Rule 10.10.

5. Acquisition by Company of the EBFC PPYEg Shares

The acquisition of the EBFC PPYEg Shares by the Company's subsidiary PPYM of the EBFC PPYEg Shares constitutes the acquisition of a "*significant asset*" by PPYM and thus, the Company.

A significant asset is defined in Listing Rule 10.1 as follows: An asset is substantial *if its value or the value of the consideration being paid or received by the entity for it is, or in ASX's opinion is, 5% or more of the +equity interests of the entity, as set out in the latest +accounts given to ASX under the listing rules.*

6. Requirement for approval of Members

As a consequence of the above matters, without the prior approval of Members at the Meeting;

6.1 Mr Azer would be in breach of the provisions of section 606 of the Act as a consequence of the deemed increase in his relevant interest and voting power in the Company.

6.2 Mr Azer, as a related party of the Company, would have received;

(a) a financial benefit within the meaning of section 229 of the Act in breach of section 208 of the Act.;

(b) an issue of securities in breach of Listing Rule 10.10.

6.3 Mr Rigano, as a related party of the Company, would have received;

(a) a financial benefit within the meaning of section 229 of the Act;

(b) an issue of securities in breach of Listing Rule 10.10.

6.4 On the basis that Listing Rule 10 applies, the Company would have:

(a) issued shares in breach of LR 10.10

(b) acquired a significant asset in breach of LR 10.1.

7. Operation of Section 606(1) of the Corporations Act (the Takeover Provisions)

Section 606(1) of the Corporations Act provides that a person must not (without an available exemption under the Corporations Act) acquire a relevant interest in issued voting shares of a listed company if the person acquiring the interest does so through a transaction in relation to the securities entered into by or on behalf of the person and, because of the transaction, that person's or someone else's voting power in the listed company increases:

7.1 from 20% or below to more than 20%; or

7.2 from a starting point that is above 20% and below 90%.

Under section 608(1) of the Corporations Act, a person has a relevant interest in securities if they are the holder of the securities, have power to exercise, or control the exercise of, a right to vote attached to the securities or have power to dispose of, or control the exercise of a power to dispose of, the securities. It does not matter how remote the relevant interest is, or how it arises.

Section 608(3) of the Corporations Act provides, in part:

Extension to relevant interests held through bodies corporate

(3) A person has the relevant interests in any securities that any of the following has:

(a) a body corporate, . . . in which the person's voting power is above 20%;

Under section 610(1) of the Corporations Act, a person's voting power is the "total number of votes attached to all the voting shares in the designated body (if any) that the person or an associate has a relevant interest in."

By virtue of section 608(3) and section 610(1) Mr Azer's relevant interest and voting power under section 610 of the Act would, without approval of members in general meeting increase to breach section 606(1) of the Corporations Act.

8. Exception to section 606 (1) restriction

8.1 Item 7 of section 611 of the Corporations Act provides an exception to the provisions of section 606(1) providing that an acquisition approved previously by a resolution passed at a general meeting of the company in which the acquisition is made, is exempt from the prohibition in section 606(1), if:

(a) no votes are cast in favour of the resolution by:

(i) the person proposing to make the acquisition and their associates; or

(ii) the persons (if any) from whom the acquisition is to be made and their associates; and

(b) the members of the Company were given all information known to the person proposing to make the acquisition or their associates, or known to the Company, that is material to the decision on how to vote on the resolution, including:

(i) the identity of the person proposing to make the acquisition and their associate;

(ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;

(iii) the voting power that person would have as a result of the acquisition;

(iv) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and

(v) the voting power that each of that person's associates would have as a result of the acquisition.

8.2 On the basis that Newco is issued and allotted 86,945,752 shares in the capital of the Company Mr Azer will be deemed, pursuant to section 608(3) of the Act, to have a relevant interest in all of the shares in the Company in which Newco shall have a relevant interest within the meaning of the Act having the following effects on Mr Azer's voting power relating to shares in the capital of the Company:

(a) Mr Azer's present voting power of 12.42% will increase to a maximum voting power of 25.56%.

(b) The maximum extent of his increase in such voting power will be an increase of 13.14% resulting from the deeming provisions of section 608(3) of the Act.

(c) The maximum extent of the increase in voting power or the deemed increase in the voting power of each of Mr Azer's Associates that would result from such acquisition will be an increase of 13.14%.

(d) The voting power or deemed voting power that each of Mr Azer's Associates would have as a result of the acquisition will be 25.56%.

8.3 The above calculations of voting power ignores the possible issue and allotment of further shares by the Company prior to completion of the transaction: which would dilute those calculations.

8.4 The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person, and the person's associates, have a relevant interest.

Mr Azer's Associates are set out in Note 9.2 to the NOM.

9. ASIC Regulatory Guide 74

ASIC Regulatory Guide 74 also specifies certain requirements to be met where a company seeks an acquisition to be exempt under item 7 in the table in section 611.

For the purposes of ASIC Regulatory Guide 74.25, the Company provides the following information in respect of the Resolution and the Proposed Transaction.

9.1 Reasons for the proposed acquisition

The underlying reasons for the acquisition of the EBFC PPYEg Shares and the issue of the New Shares to Newco is to acquire control of PPYEg to be able to control its business and financial operations and to obtain the advantages and benefits which the Independent Directors perceive will result from that control, as referred to in clause 14 below.

9.2 When the proposed acquisition is to occur

If the Resolution is passed by Members, then, subject to the conditions Precedent set out in the NOM, the Proposed Transaction will be completed no later than 19 July 2024, being a date that is not more than one month after the date on which the Meeting passes the Resolution.

9.3 Material terms of the proposed acquisition

Members are referred the information contained herein and to the Resolution set out in the NOM which sets out the terms on which the Proposed Transaction will be completed and to the summary of the PSA set out in 18 below.

9.4 Details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition

There are no other relevant agreements between Mr Azer (or any of his Associates and the Company) or between the Company and any other person that are conditional on (or directly or indirectly depend on) the Members approving the Proposed Transaction or on the Issue of the New shares save and except that, on that approval being given, EBFC will convene a meeting of its members to:

(a) approve the EBFC PPYEg Shares being transferred to PPYM pursuant to the Proposed Transaction, or;

(b) approve the New Shares being issue to Newco;

all as contemplated and as will be approved pursuant to the Resolution on it being passed.

9.5 Intentions of Mr Azer

Insofar as the intentions of Mr Azer and his Associates regarding the future of the Company are concerned, Mr Azer has provided the Company with the following information regarding their intentions.

(a) they intend that the Company will continue to pursue the current business operations of the Company and its subsidiaries, including PPYEg (which will become a subsidiary of the company on completion of the transaction) in substantially the same manner in which those activities are presently carried on or proposed to be carried on, continue to grow that business in Egypt and to endeavour to expand that business into Africa.

(b) they intend to support the Board in its endeavours to implement the Company's business plans as set out in this Explanatory Statement.

(c) There are no proposals whereby any property will be transferred between the Company and any of Mr Azer or any of such Associates.

(d) Further, Mr Azer has advised that it is not presently the intention of Mr Azer or of any of his Associates that:

  (i) any part of the Company's present undertaking should be transferred to any third party or parties of any kind whatsoever;

  (ii) there should be any major redeployment of the Company's assets, fixed or otherwise;

  (iii) any further capital will be injected into or raised by the Company in conjunction with the Proposed Transaction or the acquisition of the EBFC PPYEg Shares.

  (iv) there should be any change to the future employment of any of the Company's present employees;

  (v) given that the Company has made losses for some time and not paid any dividends the Company has no dividend policy which could be changed by Mr Azer or any of his Associates.

These intentions are based on information concerning the Company, its business and the business environment which is known to Mr Azer at the date of this Explanatory Statement.

Shareholders should note that Mr Azer's present intentions set out above may change as a consequence of the passage of time or a change in circumstances of the Company or of PPYEg or for any other reason.

9.6 The interests that any director has in the acquisition or any relevant agreement

The Directors (other than Mr Rigano) do not have any personal or other interest in the acquisition of the PPYEg Shares or in the issue of the New Shares to Newco on the terms set out in the SPA or the Resolution which are different from the interests of any other Member of the Company.

10. Related Party Provisions: Chapter 2E of the Corporations Act

Because the Proposed Transaction will provide each of Mr Azer and Mr Rigano with financial benefits the Proposed Transaction must be approved by Members in accordance with the requirements of Chapter 2E of the Corporations Act.

10.1 Section 208 of the corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company:

(a) the public company or entity must:

(i) obtain the approval of the public company's members in the way set out in sections 217 to 227; and

(ii) give the benefit within 15 months after the approval; or

(b) the giving of the benefit must fall within an exception set out in sections 210 to 216.

The financial benefits to be provided to Mr Azer and Mr Rigano do not fall within any of the exceptions in in sections 210 to 216 of the corporations Act.

As a consequence, the giving of the financial benefits is required to be approved as set out in sections 217 to 227 of the Corporations Act.

10.2 Section 218 of the Corporations Act requires the Company giving the financial benefit to lodge documents with ASIC at least 14 days before the notice of the meeting to approve the giving of same is given to members.

Those documents are:

(a) a proposed notice of meeting setting out the text of the proposed resolution; and

(b) a proposed explanatory statement satisfying section 219; and

(c) any other document that is proposed to accompany the notice convening the meeting and that relates to the proposed resolution.

11. The requirements of section 219

Section 219 requires the following details to be provided to Members.

11.1 the related parties to whom the proposed resolution would permit financial benefits to be given; and

11.2 the nature of the financial benefits; and

11.3 in relation to each director of the company:

(a) if the director wanted to make a recommendation to members about the proposed resolution--the recommendation and his or her reasons for it; or

(i) if not--why not; or

(ii) if the director was not available to consider the proposed resolution--why not; and

11.4 in relation to each such director:

(a) whether the director had an interest in the outcome of the proposed resolution; and

(b) if so--what it was; and

11.5 all other information that:

(a) is reasonably required by members in order to decide whether or not it is in the company's interests to pass the proposed resolution; and

(b) is known to the company or to any of its directors.

12. Information in satisfaction of section 219 requirements

The following information is given in satisfaction of the requirements of section 219 of the Corporations Act.

12.1 **the related parties to whom the proposed resolution would permit financial benefits to be given**

The related parties are each of Mr Rigano and Mr Azer.

12.2 **the nature of the financial benefits to be given are each of Mr Rigano and Mr Azer**

The nature of the financial benefits that each of Mr Rigano and Mr Azer will receive are that they will each acquire an indirect interest in the New Shares to be issued to Newco through their respective holdings of Shares in Newco as set out herein.

Those indirect interests are set out as follows:

(a) Indirect number of New Shares attributable to Newco shareholding, based on Mr Azer’s holding of 851,800 shares in Newco (27.78% of Newco’s issued capital), is 24,152,062 and

(b) Indirect number of New Shares attributable to Newco shareholding, based on Mr Rigano’s holding of 52,821 shares in Newco (1.72% of Newco’s issued capital), is 1,497,694.

12.3 It is submitted to Members that, the only benefit of the Proposed Transaction to each of Mr Rigano and Mr Azer is that a highly illiquid asset over which neither of them has any control (their shares in EBFC) which has as its sole asset another illiquid asset (the EBFC PPYEg Shares) for which there is only one potential purchaser (the Company) is being converted into an equally illiquid asset (the shares in Newco) which holds an asset (the New Shares) for which, because they are listed on ASX, there is a market (subsequent to the expiry of any escrow period) provided that the business of PPYEg under control of the Company is successful.

Members are also reminded that the operations of PPYEg are substantially under the day-to-day control of Mr Azer as the Management Committee Member of PPYEg and that the indirect interest he will have in the New Shares will, presumably, provide a significant incentive to Mr Azer to use his best endeavours to ensure its operations are successful.

12.4 Notwithstanding the above each of Mr Rigano and Mr Azer do, by operation of the Corporations Act, receive a financial benefit given that section 229 of the Corporations Act provides to the effect that:

(a) the economic and commercial substance of conduct is to prevail over its legal form

(b) any consideration that is or may be given for the benefit is to be disregarded, even if the consideration is adequate.

(c) giving a financial benefit includes giving a financial benefit <u>indirectly</u>, for example, <u>through one or more interposed entities</u>.

(d) giving a financial benefit to a related party <u>includes</u>:

(i) <u>buying an asset from or selling an asset to the related party</u>.

(ii) <u>issuing securities to the related party</u>.

In determining whether a financial benefit is being given, it is irrelevant whether the related party makes a profit or loss from the transaction or, given the terms of section 229 noted above, actually derives any financial or monetary benefit of any kind. This is because certain things are defined as being a financial benefit per se, (as expressly noted above) even if, as in the present case, they result in no monetary benefit or even an apparent loss to the related party receiving same.

The Independent Directors consider that the giving of the "*financial benefit*" is entirely reasonable given that the Company benefits from the Proposed Transaction and that, insofar as able to be determined, neither Mr Rigano nor Mr Azer make any profit as a result but actually suffer losses as outlined in the tables above.

12.5 Recommendations of each Director of the Company

(a) Each of the Independent Directors wanted to make, and have made a recommendation that the financial benefits be given by virtue of them each recommending that Members eligible to vote on the resolution vote in favour of the Resolution.

The reasons for their recommendation relate to the nature of the benefit, the matters discussed in 12.2 above and the further matters disclosed in this Explanatory Statement, including that without the unanimous participation of all of the members of EBFC other than PPYM, the Proposed Transaction will <u>not</u> be able to proceed and the Company will continue in the invidious position in which it currently finds itself, being unable to properly control the activities of PPYEg, and being, effectively, the primary financier thereof but only getting the benefit of 50% of any profits derived plus an indirect entitlement to 32.9% of EBFC's share thereof: which it cannot access.

(b) Mr Rigano, the only other Director of the Company, abstained from making any recommendation because he has an interest in the outcome of the Resolution as he is one of the related parties who will receive the financial benefit.

No Director was not available to consider the proposed resolution.

12.6 Interests of Directors in the outcome of the Resolution.

(a) None of the independent Directors have any interest in the outcome of the Resolution different from the interests of any other Non-Associated Shareholder

(b) Mr Rigano has an interest in the outcome of the Resolution as he will be one of the related parties receiving a financial benefit as set out above.

12.7 Other information known to Directors

Within the knowledge of each of the Directors, there is no other information known to Directors that is reasonably required by Members to decide whether or not it is in the Company's interests to pass the Resolution.

13. Effect of the Proposed Transaction on the Company's financial position.

Save that the Company will pay the costs associated with obtaining approval of the Proposed Transaction, including, without limitation, the costs of the Nexia Report, legal costs incurred in the preparation of the documentation, the costs of convening and holding the Meeting and all costs associated with ASIC and ASX and lodgement of documents with those regulatory authorities and all Share Registry costs, the Proposed Transaction and the issue of the New Shares will have minimal effect on the Company's immediate financial position.

In the longer term, as the owner of 100% of the shares in PPYEg, the effect of the Proposed Transaction of the Proposed transaction on the Company's financial position will be affected as follows:

13.1 To the extent that PPYEg may require funding in relation to the ongoing conduct of its business and operations which is unable to be satisfied from PPYEg's own activities and resources, the Company will be potentially the sole funder thereof. That, however, is no different from the position of any holding company which carries on operations through subsidiaries.

13.2 To the extent that PPYEg derives cashflow surplus to its ongoing operations, all of its surplus income will become available solely to the Company rather than to both the company and EBFC as joint venturers through PPYEg. At present only one-half of any surplus cashflow would be available to the Company with the other half flowing to EBFC. However, at this stage it should be noted:

(a) No such surplus cashflow exists.

(b) Any such surplus cashflow will only be available if and when PPYEg generates sufficient net operating cashflow to meet all of its funding and operating requirements.

(c) No representations are made that any such surplus cashflow will at any time become available as this will depend on PPYEg's operational outcomes as they evolve, which will depend on a wide variety of factors.

14. Advantages of the Proposed Transaction being implemented

The Independent Directors consider that the advantages of the Proposed Transaction being implemented include the following:

14.1 The ability to recognise Papyrus Egypt's revenues and profits at the Company level through consolidated financials.

14.2 An enhanced ability to manage cashflow and working capital between the Company and PPYEg.

14.3 With 100% ownership of PPYEg the ability to access PPYEg's cashflows subject only to compliance with relevant Egyptian foreign currency regulations as they exist from time to time and to enable, over time, repayment of all current loans made by the Company (either directly or through PPYM) from any emerging PPYEg cash flows in excess of PPYEg's operational needs.

14.4 That, given that the Company is presently the sole external financier of PPYEg, acquiring 100% control of PPYEg will mean that the Company is not financing PPYEg for the benefit of the members of EBFC to its detriment.

14.5 Ownership of 100% of PPYEg will facilitate PPYEg being able to obtain external financing of its operations in Egypt generally because the Company can then, without the requirement of EBFC's consent or agreement, agree that PPYEg can borrow funds and charge its assets as necessary to secure finance from external sources. Obviously PPYEg's operations and financial status would still need to be such as to attract external financing.

14.6 The simplification of PPYEg's structure and operations under sole ownership may make PPYEg more attractive to potential customers because its structure and management can be shown as focussed.

14.7 Likewise, consolidation of PPYEg with sole management vesting in the Company will provide potential financiers with a simpler and more financeable structure than one involving third party interests through a joint venture.

14.8 Strengthening the Company's financial profile by being able to consolidate PPYEg as a wholly owned subsidiary with the prospect of increasing the Company's appeal to prospective investors.

14.9 Allied to the above, with a strengthened financial basis and clear control of all of the Egyptian operations, current members may have an improved market for their shares in the Company.

14.10 The acquisition of full control of the strategic objectives and operational direction of PPYEg and this control will more greatly align interests between PPYEg and the Company's board, management, and members.

14.11 The consolidation of operational resources between the Company and PPYEg will ensure that the Company has total control and ownership of all intellectual property and technological improvements previously developed by PPYEg or which may hereafter be developed by PPYEg.

14.12 The elimination of:

(a) any actual or perceived conflicts of interest or split loyalties within PPYEg and its management which may presently exist due to it being a joint venture between EBFC and the Company.

(b) potential conflicts of interest between EBFC and the Company over the conduct of PPYEg and its business.

14.13 The Transaction will be completed as a share swap, therefore, apart from the costs of implementing the Proposed Transaction, no significant cash outlay is required.

14.14 The New Shares will be escrowed for one year, so that the actual value of the financial benefits to each of Mr Azer and Mr Rigano which might result from implementation of the Proposed Transaction will depend, in part on the success or otherwise of the ongoing activities of PPYEg under the control of the Company.

14.15 The Proposed Transaction indirectly provides Mr Azer and Ms Nayil, who are the principal shareholders in Newco, and therefore the primary beneficiaries of the New Shares to be held by Newco, with a significant incentive to create further value in PPYEg, because, unless that occurs, there will be minimal, if any, benefit received by them from their indirect holdings of New Shares.

14.16 Notwithstanding that Mr Azer will be deemed to have a relevant interest and voting power of 25.56% in the shares in the capital of the Company, the Independent directors do not consider that is a control block which will lead to any change in control of the Company or its activities. In this regard, the Independent Directors note Mr Azer's intentions as stated in 9.5 above.

Further, while Mr Azer has a direct 12.42% relevant interest and actual voting power at present, he is only deemed to have increased his relevant interest and voting power to a 25.56% relevant interest and voting power. Because EBFC is, and Newco will be, controlled by Ms Nayil holding in excess of 50% of the issued capital of each of them, the "*control*" that Mr Azer may be perceived to have is illusory.

The control of the New Shares to be held by Newco will, quite simply, rest with Ms Nayil, and not with Mr Azer.

These advantages are not necessarily exhaustive. It is likely that, given the operations of PPYEg will not be changed as a result of the Proposed Transaction, but that focussed direction of those activities will become easier than in a joint venture situation (where each joint venturer may have different views or opinions on how a business should be proceeded with), that focus may improve efficiency, promote certainty of direction and thereby reduce costs.

15. Disadvantages of the Proposed Transaction being implemented

The following are perceived as disadvantages of the Proposed Transaction being implemented:

15.1 Existing Members shareholdings in the capital of the Company will be diluted by the issue of the New Shares to Newco.

The Non-Associated Shareholders presently hold 84.78% of the issued capital of the Company (417,699,762 shares) because Mr Azer and Associates and Mr Rigano together hold 15.22% of the capital of the Company.

On completion of the Proposed Transaction the Non-associated shareholders will hold 417,699,762 shares out of a capital of 579,638,345 shares or 72.06% so that the dilution of the Non-Associated Shareholders shareholdings will be 12.72% and not 15%. With the differential between the 15% and 12.72% been the dilution factor to the Associated shareholders. Members are referred to Appendix 3 of the NOM as an example of how different shareholding will be impacted.

However, Non-Associated Shareholders might consider that this apparent disadvantage is not significant because their actual shareholdings are not reduced.

Further, if as a result of the acquisition of the balance of PPYEg and the advantages which the Independent Directors perceive as existing, the market price of shares in the Company increases, then the actual value of their shareholdings would have increased.

In this context, Non-Associated Shareholders should also realise that, with shares in the Company being illiquid, <u>all</u> shareholders, are, for the most part, locked in minority holders with little market for their shares even if they wanted to sell and that if implementation of the Proposed Transaction stimulates investor interest in the Company, this may also increase both the liquidity of the market for their shares.

15.2 There is no guarantee that shares in the Company will increase in liquidity due to the expanded share capital following the Proposed Transaction or due to any of the matters set out in 14 above including the strengthened balance sheet of the Company resulting from the consolidation of PPYEg as a subsidiary of the Company.

15.3 Members may consider that, by virtue of owning 100% of PPYEg, the funding requirements associated therewith have increased and that this may impose financial constraints on the Company.

The Independent Directors consider this potential disadvantage is largely illusory because the Company has, for some years already been the sole external funder of PPYEg.

The independent Directors consider that having full ownership of PPYEg may make that funding easier because the Company has complete control of PPYEg and can more readily deal with potential financiers and customers than if PPYEg remained a joint venture structure. This can be perceived as an advantage of the proposed Transaction.

Again, these disadvantages are not necessarily exhaustive.

16. Advantages and Disadvantages of the Proposed Transaction not being implemented

16.1 The Independent Directors are not aware of any **advantages** of the Proposed Transaction not being implemented.

If the Proposed Transaction is not implemented it is true that the Non-Associated Shareholders will not suffer any dilution in their shareholdings, which is the main disadvantage to the Non-Associated shareholders from it being implemented.

However, that would:

(a) leave the Company in its present parlous condition where it is the sole financier of PPYEg but can only potentially access 50% of any surplus cash flow which PPYEg might at any time generate, and then, only with the agreement of EBFC, which it does not control.

(b) Mean that none of the perceived advantages and benefits which may flow from the Proposed Transaction would be obtained.

16.2 The **disadvantages** of the Proposed Transaction not being approved at the Meeting and therefore not being implemented are straightforward.

(a) Obviously, none of the advantages of the Proposed Transaction would be achieved or obtained.

(b) Further, PPYEg would remain as a joint venture structure with the Company, realistically, having minimal prospects of obtaining future control of PPYEg and a significantly reduced ability to attract investors based on the attractiveness of PPYEg, simply because the Company has minimal control over it and its financial and business operations. Such control as it has would continue to be based on the ability to block any efforts by EBFC to take actions which the Company opposes but without the ability to advance any of its ambitions and aims for PPYEg without the consent of EBFC, which may not always be forthcoming.

17. Recommendations of Directors

As noted above, the Independent Directors perceive significant advantages from implementing the Proposed Transaction.

Each of the Directors other than Mr Rigano, who abstains from making any recommendation because of his conflict of interest resulting from the fact that he receives a financial benefit from the Proposed Transaction, recommends to all eligible Members that they vote in favour of the Resolution at the Meeting so that the Proposed transaction can be implemented if the conditions precedent set out in the NOM and/or the SPA are satisfied or waived.

The primary reason why each Director (other than Mr Rigano) make their recommendation that Members vote in favour of the Resolution is that implementation of the Proposed Transaction will, in their opinion, provide the benefits that are implicit in the analysis of the advantages of the Proposed transaction referred to in 14 above, in the Chairman's covering letter.

Clearly, the independent Directors consider that the perceived advantages of the Proposed Transaction far outweigh the perceived disadvantages of the Proposed Transaction being implemented.

18. Summary of terms of the Share Sale and Purchase Agreement entered into on 23 January 2024 (SPA)

The terms of the SPA are substantially described in the Resolution.

Essentially, the parties to the SPA (the Company, PPYM, EBFC and PPYEg) recognised the need to the Company to acquire the fifty per cent (50%) of PPYEg owned by EBFC but on the basis that the Company's wholly owned subsidiary PPYM would not participate in the consideration to be payable by the Company.

For the above reason EBFC agreed with the other parties to the SPA that the members of EBFC other than PPYM would form a new entity in Egypt (Newco) in which the members of EBFC other than PPYM would be the sole shareholders holding their shares in Newco in the same proportions as they hold their shares in EBFC inter se.

None of the non-PPYM shareholders in EBFC are parties to the SPA and have no right to enforce same.

In the SPA the Company is defined as PPY and PPYEg is defined as PE.

18.1 Clause one of the SPA contains definitions.

(a) A-Shares are defined as ordinary fully paid shares in the Company.

(b) B-Shares are defined as fully paid ordinary shares in EBFC owned by the Company through PPYM.

(c) C-Shares are defined as the ordinary fully paid shares in EBFC that are owned by non-PPYM shareholders of EBFC.

(d) D-Shares are defined as the shares held by EBGC in PPYEg: defined in this Explanatory Statement as the *EBFC PPYEG Shares*.

18.2 Clause two of the SPA provides that the non-PPYM shareholders in EBFC will incorporate Newco, that the Company "will issue to Newco that number of shares which will equate to 15% its issued shares capital post Consolidation" and that "the newly issued A Shares will be held in Newco will be escrowed for 12 months".

18.3 Clause three of the SPA sets out Conditions Precedent and provides that "*In the event that any of the condition's precedent outlined in 3.1 to 3.4 are not met, then this Agreement shall lapse*." This however is subject to clause 6 of the SPA which enables a party to waive the failure of a party to meet or satisfy a condition precedent.

18.4 The provisions of clauses 3.1 to 3.4 provide for the following conditions required to be satisfied;

3.1 The Independent Expert Report which reports to PPY Shareholders at the PPY extraordinary general meeting ("EGM") confirms that the transaction outlined in this Agreement is *<u>fair and reasonable</u>*. [Emphasis added].

3.2 Any legal advice required supports the process contemplated by this Agreement.

3.3 PPY shareholders at the EGM approve the transaction as outlined in this Agreement.

3.4 The non-PPYM 68.78% shareholders in EBFC at their general meeting approve the transaction as outlined in this Agreement.

18.5 Clause 4 of the SPA sets out representations and warranties from EBFC. EBFC represents and warrants to the Company that:

(a) EBFC has full legal authority to enter into and exercise the obligations under this Agreement;

(b) The non-PPYM 68.78% shareholders in EBFC are the absolute beneficial owners of the *C-Shares to be transferred to PPYM*, free and clear of any liens, charges, encumbrances or rights of others. [Emphasis added].

(c) *to the best knowledge of the officers of EBFC there is no pending or anticipated claim against the Assets* or *against the non-PPYM 68.78% shareholders of EBFC's ownership or title in the C-Shares or against the EBFC's right to dispose of the C-Shares*. [Emphasis added].

(d) *no third-party contract is outstanding that could result in a claim against or affecting the C-Shares owned by non-PPYM 68.78% shareholders in EBFC* in whole or in part either now or in the future. [Emphasis added].

(e) EBFC represents and warrants that no material default or breach exists with regard to any presently outstanding material contract with PPYEg;

(f) there are no claims threatened or pending against EBFC or PPYEg by any current or past employee relating to any matter arising from or relating to the employment of the employee;

(g) EBFC further warrants that all tangible assets of PPYEg are in good working order;

(h) EBFC warrants that PPYEg is operating in accordance with all applicable laws, rules, and regulations of the jurisdictions in which it is carried on.

(i) EBFC has filed all tax reports and returns required in the operation of its business and has paid all taxes owed to all taxing authorities.

(j) this Agreement has been duly executed and delivered by EBFC and constitutes a legal and binding obligation of EBFC enforceable in accordance with its terms.

18.6 Clause 5 states that the representations and warranties given in the Agreement are the only representations and warranties.

18.7 Clause 6 states that if either Party fails to satisfy any of its conditions precedent as set out in this Agreement on or before the Closing Date and that condition precedent was not waived, then this Agreement will be null and void and there will be no further liability as between the Parties. [Emphasis added].

18.8 The following comments are made:

(a) In relation to warranty 4(b), the shares to be transferred to PPYM are <u>not</u> the C-Shares (being the ordinary fully paid shares in EBFC that are owned by non-PPYM shareholders) but the D-Shares being the shares held by EBFC in PPYEg. The probable intent was that the D-Shares would be the subject of the warranty, but they are not.

(b) In relation to warranty 4(c), there is no definition of Assets in the PSA so the operation of the warranty in relation to Assets is uncertain. Further, EBFC does not own the C-Shares as these are owned by the Non-PPYM shareholders in EBFC as set out in the definition thereof. The probable intent was that the D-Shares would be the subject of the warranty, but they are not.

(c) Warranties (4 (g), (h) and (j) are of importance and self-evident.

(d) Clause 6 of the SPA acknowledges that the failure of any party to *satisfy any of its conditions precedent . . . on or before the Closing Date* may be waived.

The Independent Directors propose to waive the condition precedent set out in clause 3.1 if all the other conditions precedent set out in the PSA are satisfied. That condition precedent is for the benefit of the Company and its Members and can therefore be waived by the Company. As a consequence the proposed Resolution only requires that the resolution be approved by Members in General Meeting, reflecting that, if all of the other Conditions Precedent set out in the Resolution are satisfied the Independent Directors will put a resolution to a meeting of the directors waiving that condition Precedent. This is explained in the NOM.

(e) The SPA does not contain any warranties as to the present ownership of 50% of the issued capital of PPYEg and recital F records that "*EBFC has agreed to transfer its present remaining interest in PPYEg to PPYM (D-Shares)".*

(f) Further, the SPA does not contain any details of the assets owned by PPYEg although it warrants *that all tangible assets of PPYEg are in good working order.*

Generally, however, given that the Independent Directors understand that the EBFC has no assets apart from the D-Shares (otherwise defined herein as the EBFC PPYEg Shares) which are to be transferred to PPYM in exchange for the issue of the New Shares to Newco on the terms of the Resolution, the warranties are little if any value, any judgment against EBFC for damages for breach of contract would be of no value for that reason.

19. The Resolution

The structure of the Resolution substantially follows the intent of the SPA.

However, the Resolution deals with various issues not dealt with pursuant to the SPA.

These include that:

19.1 Although the SPA provides for a 12 month voluntary escrow, ASX classifies the New Shares as Restricted Securities, the ASX imposed escrow is 12 months from from date of issue and require Newco and its controllers of Newco to enter into restriction agreements. The Resolution also includes provision for a holding lock on the New Shares.

19.2 Paragraph (b) of the Resolution provides that the Conditions Precedent have been either satisfied in full or waived. The Independent Directors propose to waive the condition precedent set out in clause 3.1 if all the other conditions precedent set out in the PSA are satisfied.

19.3 The Resolution also requires that the non PPYM shares in EBFC Shares must be validly transferred to PPYM and defines what that requires which, in summary of paragraph (b) of the Resolution, requires that there be full and demonstrated compliance with Egyptian Law. Members are referred to the Resolution which sets out these requirements in full.

SCHEDULE A: INDEPENDENT EXPERT'S REPORT PREPARED BY NEXIA PERTH CORPORATE FINANCE PTY LTD

Attached

Nexia Australia

Papyrus Australia Limited

Independent Expert's Report and Financial Services Guide

1 May 2024

In our opinion the proposed transaction is not fair but reasonable to the non-associated shareholders

Advisory. Tax. Audit.

FINANCIAL SERVICES GUIDE

Dated: 1 May 2024

What is a Financial Services Guide ('FSG')?

This FSG is designed to help you decide whether to use any of the general financial product advice provided by Nexia Perth Corporate Finance Pty Ltd ABN 84 009 342 661 ('NPCF'), Australian Financial Services Licence Number 289358 ('AFSL').

This FSG includes information about:

- NPCF and how they can be contacted;
- the services NPCF is authorised to provide;
- how NPCF are paid;
- any relevant associations or relationships of NPCF;
- how complaints are dealt with as well as information about internal and external dispute resolution systems, and how you can access them; and
- the compensation arrangements that NPCF has in place.

Where you have engaged NPCF we act on your behalf when providing financial services. Where you have not engaged NPCF, NPCF acts on behalf of our client when providing these financial services and are required to provide you with a FSG because you receive a report or other financial services from NPCF.

Financial Services that NPCF is authorised to provide

NPCF, which holds an AFSL authorising it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.

NPCF's responsibility to you

NPCF has been engaged by the independent directors of Papyrus Australia Limited ('Papyrus Australia', or the 'Client') to provide general financial product advice in the form of an independent expert's report dated 1 May 2024 ('Report'), which is to be included in the Notice of General Meeting (the 'Notice of Meeting' or the 'Document') to be sent to Papyrus Australia shareholders on or around 13 May 2024.

You have not engaged NPCF directly but have received a copy of the Report because you have been provided with a copy of the Document. NPCF or the employees of NPCF are not acting for any person other than the Client.

NPCF is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As NPCF has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Notice of Meeting.

Fees NPCF may receive

NPCF charges fees for preparing reports. These fees will usually be agreed with and paid by the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay NPCF $38,000 (excluding GST and out of pocket expenses) for preparing the Report. NPCF and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

Referrals

NPCF does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and Relationships

Through a variety of corporate and trust structures NPCF is controlled by and operates as part of the Nexia Perth Pty Ltd. NPCF's directors and authorised representative may be directors in the Nexia Perth Pty Ltd group entities ('Nexia Perth Group'). Ms Evelyn Tan, and Ms Muranda Janse Van Nieuwenhuizen, both Directors and Representatives of NPCF, have prepared this Report. The financial product advice in the Report is provided by NPCF and not by the Nexia Perth Group.

From time to time, NPCF, the Nexia Perth Group and related entities ('Nexia entities') may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Over the past two years, other than the fees disclosed for the preparation of this Report, Nexia entities have not received any other fees from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the proposed transaction described in this Report.

Complaints Resolution

If you have a complaint, please let NPCF know. Formal complaints should be sent in writing to:

Nexia Perth Corporate Finance Pty Ltd
Head of Compliance
GPO Box 2570
Perth WA 6001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Susan Montanari, on +61 8 9463 2463 and she will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External Complaints Resolution Process

If NPCF cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority ('AFCA'). AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3, Melbourne, Victoria 3001
Telephone: 1800 931 678
Email: info@afca.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation Arrangements

NPCF has professional indemnity insurance cover as required by the Corporations Act 2001 (Cth).

Contact Details
You may contact NPCF at:

Nexia Perth Corporate Finance Pty Ltd
GPO Box 2570
Perth WA 6001

Nexia Perth Corporate Finance Pty Ltd
Level 3, 88 William St
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1 May 2024

The Independent Directors
Papyrus Australia Limited
Level 2, 2 Peel Street
ADELAIDE SA 5000

Dear Sirs / Madams,

Independent Expert's Report

1. BACKGROUND AND OUTLINE OF THE PROPOSED TRANSACTION

1.1 Background

Papyrus Australia Limited ('Papyrus Australia' or the 'Company'), listed on the Australian Securities Exchange ('ASX') (ASX code: PPY), specialises in the development and production of sustainable packaging solutions utilising banana fibre that has been processed from banana plantation waste.

Papyrus Australia's current operations are through Papyrus Egypt LLC ('Papyrus Egypt'), a joint venture in Egypt. Papyrus Egypt is a joint venture between PPY Manufacturing Pty Ltd ('PPYM'), a wholly owned subsidiary of Papyrus Australia, and the Egyptian Banana Fibre Company ('EBFC'), each holding 50% share and 50% of the voting rights. Papyrus Egypt was established to further develop Papyrus Australia's banana fibre technology and operate factories in Egypt using the technology as well as explore commercial opportunities in the region. PPYM also holds a 39.22% shareholding in EBFC, which results in Papyrus Australia having a direct and indirect shareholding in Papyrus Egypt of 69.61%.

On 28 April 2023, Papyrus Australia announced a proposal to consolidate Papyrus Egypt within Papyrus Australia. Then, on 29 January 2024, Papyrus Australia announced that it had signed a share sale and purchase agreement ('SSPA') with EBFC to acquire the remaining interest in Papyrus Egypt that it does not already own, either directly or indirectly, so that it will result in Papyrus Australia obtaining 100% ownership of Papyrus Egypt after the transaction (the 'Proposed Transaction').

The completion of the Proposed Transaction will involve the following share swap:

- EBFC's shareholders, other than PPYM, will incorporate a new company ('Newco') to hold their Papyrus Australia shares as contemplated in the Proposed Transaction;
- Papyrus Australia will issue to Newco ordinary fully paid Papyrus Australia shares that equate to 15% of its issued shares following shareholder approval and the completion of Proposed Transaction. The shares issued to Newco will be escrowed for 12 months from the issue date; and
- EBFC will transfer all of its shares in Papyrus Egypt to PPYM.

Ramy Azer, the former Managing Director of Papyrus Australia, currently holds a 12.42% shareholding in Papyrus Australia. As Ramy Azer will be a director of Newco and will hold a 27.78% shareholding (voting power of over 20%) in Newco, Ramy Azer is deemed to have a relevant interest of 15% in Papyrus Australia, through Newco, under section 608(3) of the Corporations Act 2001 ('Corporations Act'). This will increase Ramy Azer's relevant interest and voting power in Papyrus Australia from below 20% to above 20%.

Hence, the Proposed Transaction requires shareholders' approval under section 611 of the Corporations Act.

The Proposed Transaction is also subject to shareholders' approval under Australian Securities Exchange Listing Rules 10.1 and 10.11 of Chapter 10 'Transactions with persons in a position of influence' ('ASX Listing Rule 10.1' and 'ASX Listing Rule 10.11' respectively) as it involves the acquisition of a substantial asset and the issue of securities to a related party and a substantial (10%+) holder. Vincent Rigano is deemed a related party of Papyrus Australia by virtue of Vincent Rigano being a director. Ramy Azer is deemed a substantial (10%+) holder by virtue of holding 12.42% of the issued shares of Papyrus Australia.

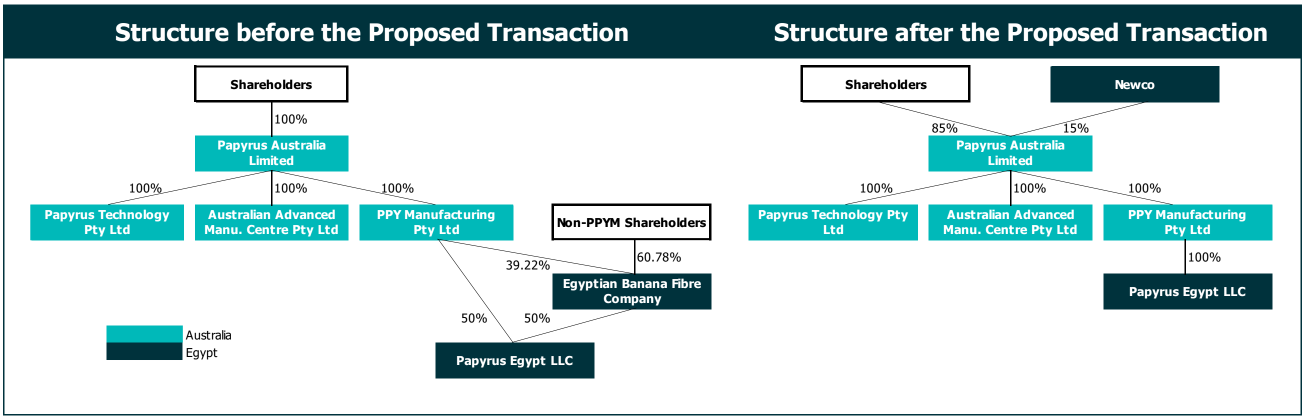
Accordingly, the Notice of General Meeting ('Notice of Meeting') contains a sole resolution that seeks the approval from shareholders of Papyrus Australia for the 'acquisition of shares in Papyrus Egypt for the Manufacture of Banana Fibre Company LLC: National Company number 27809292102441'.

Nexia Perth Corporate Finance Pty Ltd ('NPCF') has been requested by Papyrus Australia to prepare an Independent Expert's Report (the 'Report') in relation to the Proposed Transaction and to express an opinion on whether the Proposed Transaction is fair and reasonable to the non-associated shareholders of Papyrus Australia (the 'Shareholders'). Our Report has been prepared to accompany the Company's Notice of Meeting.

1.2 Outline of the Proposed Transaction

Papyrus Australia has entered into a share sale and purchase agreement with EBFC, whereby a share swap allows Papyrus Australia to achieve 100% ownership of Papyrus Egypt through its wholly owned subsidiary, PPYM. The share swap first involves EBFC's shareholders (other than PPYM) incorporating a new company, Newco. Following which, Papyrus Australia will issue to Newco ordinary fully paid Papyrus Australia shares that equate to 15% of its total issued shares upon completion of the Proposed Transaction. EBFC then will transfer all of its shares in Papyrus Egypt to PPYM.

The charts below shows the structure before and after completion of the Proposed Transaction:



Source: Papyrus Australia and NPCF

EBFC's share capital consists of 5,045,484 shares held by a total of 12 shareholders. In addition to PPYM's shareholding, EBFC's shareholders include Ramy Azer and Vincent Rigano. Ramy Azer is the founder of Papyrus Australia and a former director. Vincent Rigano is a non-executive director and the Company Secretary of Papyrus Australia. As detailed below, Ramy Azer's and Vincent Rigano's shareholdings (including entities controlled by them) in EBFC are approximately 16.88% and 1.05%, respectively. Also shown are Ramy Azer's and Vincent Rigano's proposed shareholdings (including entities controlled by them) in Newco.

EBFC and Newco	Number of EBFC shares	% Total	Number of Newco shares	% Total
PPY Manufacturing Pty Ltd, a wholly owned subsidiary of Papyrus Australia	1,979,063	39.22%	-	-
Ramy Azer	**809,000**	**16.03%**	**809,000**	**26.38%**
Heba Nayle	1,600,000	31.71%	1,600,000	52.18%
V P Rigano & Co	**52,821**	**1.05%**	**52,821**	**1.72%**
Georgina Abdelsayed	200,000	3.96%	200,000	6.52%
Ramy Azer	**42,800**	**0.85%**	**42,800**	**1.40%**
Moheb Botros	100,000	1.98%	100,000	3.26%
Daniel Botros	100,000	1.98%	100,000	3.26%
Rafeeq Botros	100,000	1.98%	100,000	3.26%
Micheal Botros	20,000	0.40%	20,000	0.65%
Sara Selim	20,000	0.40%	20,000	0.65%
Samer Selim	20,000	0.40%	20,000	0.65%
Abla Eid	1,800	0.04%	1,800	0.06%
Total	**5,045,484**	**100.00%**	**3,066,421**	**100.00%**

Source: Papyrus Australia

Detailed below is Papyrus Australia's current capital structure as well as the holdings of Ramy Azer and Vincent Rigano (including entities controlled by Ramy Azer and Vincent Rigano) and other holders. Papyrus Australia's current capital structure consists of 492,692,593 ordinary shares and 63,110,714 unlisted options. Ramy Azer's (including entities controlled by Ramy Azer) current holdings in Papyrus Australia includes 61,185,253 ordinary shares and 32,500,000 unlisted options. Vincent Rigano's (including entities controlled by Vincent Rigano) current holdings in Papyrus Australia include 13,807,578 ordinary shares.

Papyrus Australia	Number of shares	% Total	Number of options	% Total
BIJO (SA) Pty Ltd <Azer Family A/C>	30,756,400	6.24%	-	0.00%
Mr Ramy Azer <Azer Family A/C>	30,137,489	6.12%	32,500,000	51.50%
Ramy Azer + Pheobe Azer <Azer Super Fund A/C>	291,364	0.06%	-	0.00%
V P Rigano & Co Pty Ltd	12,830,445	2.60%	-	0.00%
Paul John Mcmahon + Vincent Peter Rigano <PM Super Fund A/C>	549,091	0.11%	-	0.00%
Vincent Peter Rigano <Awadalla Family A/C>	371,223	0.08%	-	0.00%
Vincent Rigano+Sarina Caruso <SC Super Fund A/C>	56,819	0.01%	-	0.00%
Other holders	417,699,762	84.78%	30,610,714	48.50%
Total	**492,692,593**	**100.00%**	**63,110,714**	**100.00%**

Source: Papyrus Australia and NPCF analysis

We note that Vincent Rigano's holdings above do not include 481,057 shares held under other 'Rigano' names. Subject to Shareholders' approval of the Proposed Transaction, a total of 86,945,752 Papyrus Australia shares will be issued to Newco. No funds will be raised in conjunction with the Proposed Transaction. Following the issuance of the shares to Newco, Papyrus Australia will have 579,638,345 shares on issue (assuming no further Papyrus Australia shares are issued). The impact of the Proposed Transaction on Papyrus Australia's capital structure is as follows:

	Number of shares	% Total	Number of options	% Total
Before the Proposed Transaction	492,692,593	85.00%	63,110,714	100.00%
Papyrus Australia shares issued to Newco	86,945,752	15.00%	-	0.00%
After the Proposed Transaction	**579,638,345**	**100.00%**	**63,110,714**	**100.00%**

Source: Papyrus Australia and NPCF analysis

As shown on the previous page, Ramy Azer and Vincent Rigano (including entities controlled by them) will have shareholdings in Newco of 27.78% and 1.72%, respectively. Therefore, of the 86,945,752 Papyrus Australia shares issued to Newco, Ramy Azer and Vincent Rigano (including entities controlled by them) will have an interest in 24,152,062 and 1,497,694 Papyrus Australia's shares through Newco respectively, which results in percentage shareholding interests in Papyrus Australia (assuming no further shares are issued) of 14.72% and 2.64%, respectively, as shown in the table below:

	Ramy Azer	Vincent Rigano
Papyrus Australia shares held before the Proposed Transaction	61,185,253	13,807,578
Interest in Papyrus Australia shares issued to Newco	24,152,062	1,497,694
Interest in Papyrus Australia shares after the Proposed Transaction	**85,337,315**	**15,305,272**
Percentage of total Papyrus Australia shares before the Proposed Transaction	12.42%	2.80%
Percentage of total Papyrus Australia shares after the Proposed Transaction	14.72%	2.64%

Source: Papyrus Australia and NPCF analysis

As Ramy Azer will have a 27.78% interest (voting power of over 20%) in Newco, under section 608(3) of the Corporations Act, Ramy Azer is deemed to have a relevant interest of 15% in Papyrus Australia on account of Newco's 15% interest in Papyrus Australia. Together with his direct interest in Papyrus Australia, Ramy Azer will have a direct and relevant interest of 25.56% in Papyrus Australia (assuming no further shares are issued), as shown in the table below:

	Ramy Azer
Papyrus Australia shares held before the Proposed Transaction	61,185,253
Interest in Papyrus Australia shares issued to Newco under section 608(3) of the Corporations Act	86,945,752
Interest in Papyrus Australia shares after the Proposed Transaction	**148,131,005**
Percentage of total Papyrus Australia shares before the Proposed Transaction	12.42%
Percentage of total Papyrus Australia shares after the Proposed Transaction	25.56%

Source: Papyrus Australia and NPCF analysis

Ramy Azer, Vincent Rigano and the other Newco shareholders have agreed to enter into an escrow deed restricting the sale of the shares received under the Proposed Transaction for a period of 12 months from issue.

2. PURPOSE OF REPORT AND BASIS OF ASSESSMENT

2.1 Purpose of Report

The purpose of this Report is to provide an opinion on whether the Proposed Transaction is fair and reasonable to the non-associated shareholders of Papyrus Australia.

Section 606 of the Corporations Act prohibits any person to acquire an interest, in an Australian public company, from below 20% to above 20% or from above 20% to under 90% without triggering a compulsory takeover offer to all shareholders unless an exemption applies. Item 7 of section 611 of the Corporations Act provides an exemption to this prohibition if the transaction is approved by shareholders in a general meeting.

Prior to the Proposed Transaction, Ramy Azer (including the shareholdings of entities Ramy Azer controls) holds a 12.42% interest in Papyrus Australia. As part of the Proposed Transaction, Ramy Azer will be a director in Newco and will hold a 27.78% interest in Newco (equal to a 24,152,062 interest in the 86,945,752 Papyrus Australia shares issued to Newco). Therefore, under section 608(3) of the Corporations Act, Ramy Azer is deemed to have a relevant interest of 15% in Papyrus Australia on account of Newco's 15% interest in Papyrus Australia. As a result, following the issuance of 86,945,752 shares to Newco, Ramy Azer's direct and relevant interest in Papyrus Australia will increase from 12.42% to 25.56%. As Ramy Azer's interest in Papyrus Australia is expected to increase from below 20% to above 20%, the Proposed Transaction requires shareholders' approval.

ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor its child entities, acquires or agrees to acquire a substantial asset from, or disposes of or agrees to dispose of a substantial asset to a related party or a substantial (10%+) holder (or an associate of a related party or a substantial (10%+) holder) without obtaining its shareholders' approval, unless any of the exceptions in ASX Listing Rule 10.3 apply.

A related party includes directors of an entity and entities controlled by such directors (including directors within the past 6 months), and a 'substantial (10%+) holder' is a person who, together with their associates, holds a relevant interest in at least 10% of the issued voting shares in the listed entity. An asset is substantial if its value or the value of the consideration being paid or received by the entity for it is, or in ASX's opinion is, 5% or more of an entity's equity interests as set out in the accounts lodged with the ASX.

Under the Proposed Transaction, Papyrus Australia is proposing to complete a share swap transaction with EBFC whose shareholders include Ramy Azer, who is a former director of Papyrus Australia and who, together with his associated entities, holds 12.42% shareholding in the Company; and Vincent Rigano, who is a director of Papyrus Australia and who, together with his associated entities, holds 2.80% shareholding in the Company. Of the 86,945,752 Papyrus Australia shares issued to Newco as part of the share swap transaction, Ramy Azer will hold an interest in 24,152,062 Papyrus Australia's shares in Newco and Vincent Rigano will hold an interest in 1,497,694 Papyrus Australia's shares in Newco. As the potential value of the shareholding interest received by Ramy Azer and Vincent Rigano under the Proposed Transaction is greater than 5% of Papyrus Australia's total equity as at 31 December 2023 (being approximately $127,350 or 5% of $2,547,000), the Proposed Transaction falls within Listing Rule 10.1.1, being an acquisition of a substantial asset from a related party, and Listing Rule 10.1.3, being an acquisition of a substantial asset from a substantial (10%+) holder. It therefore requires the approval of Papyrus Australia's shareholders under Listing Rule 10.1.

ASX Listing Rule 10.5.10, requires that a notice of meeting under Listing Rule 10.1 must be accompanied by an independent expert's report. The report provided by the independent expert is required to state the expert's opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

Consistent with the requirement under ASX Listing Rule 10.5.10, the independent directors of Papyrus Australia have requested NPCF to prepare an independent expert's report, the purpose of which is to provide an independent opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of Papyrus Australia.

ASX Listing Rule 10.11 states that an entity must not issue or agree to issue equity securities to a related party or a substantial (10%+) holder without obtaining its shareholders' approval, unless any of the exceptions in ASX Listing Rule 10.12 apply. One of the exceptions to Listing Rule 10.11 is an issue of securities that has been approved for the purposes of item 7 of section 611 of the Corporations Act. Therefore, it has been assessed that shareholders' approval under Listing Rule 10.11 will only be required for Vincent Rigano.

This Report is prepared pursuant to the requirements of ASX Listing Rule 10.1 and in accordance with the guidance of Australian Securities and Investments Commission's ('ASIC') Regulatory Guide 111 Content of expert report ('RG 111'), Regulatory Guide 112 Independence of experts ('RG 112'), Regulatory Guide 74 Acquisitions approved by members ('RG 74') and Regulatory Guide 76 Related party transactions ('RG 76').

2.2 Basis of assessment

RG 111 provides guidance to experts on how to draft an expert report that satisfies the requirements of the Corporations Act. Whilst RG 111 focuses on reports prepared for transactions under Chapters 2E, 5, 6 and 6A of the Corporations Act, whether they are required by the Corporations Act or are commissioned voluntarily, the principles may also be relevant to independent expert reports commissioned for other purposes, including independent expert reports required under the ASX Listing Rules.

Paragraphs RG 111.24 to RG 111.28 provide guidance on control transactions to be approved under item 7 of section 611 of the Corporations Act. A control transaction, when a person acquires, or increases, a controlling stake in a company can be achieved by a number of different legal mechanisms. The regulatory guide states that when analysing control transactions (or related party transactions), an expert needs to focus on the substance of the control transaction (or related party transaction) rather than the legal mechanism.

Accordingly, paragraphs RG 111.24 and RG 111.25 state that, where share issues to be approved under item 7 of section 611 of the Corporations Act are comparable to takeover bids under Chapter 6 of the Corporations Act, the expert should apply the analysis outlined in RG 111.10 to RG 111.17 as if it was a takeover bid under Chapter 6. However, references to the 'bidder' and the 'target' should be taken to mean the 'allottee' and 'company' respectively.

In analysing a control transaction as if it was a takeover bid under Chapter 6 of the Corporations Act, the expert is required to express an opinion on whether the offer is 'fair and reasonable' from the perspective of non-associated members. RG 111.10 states that the 'fair and reasonable' phrase is not regarded as a compound phrase. There should be a separate assessment of whether the transaction is 'fair' and 'reasonable'.

RG 111.11 states an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities, the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Since this will be a control transaction, if assessed as if it was a takeover bid, the comparison should also be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash.

An offer is 'reasonable' if it is 'fair' but it might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons for security holders to approve the proposed transaction.

Paragraphs RG 111.52 to RG 111.63 of RG 111 provide guidance on related party transactions under Chapter 2E of the Corporations Act or for a transaction with a person in a position of influence that requires member approval under ASX Listing Rule 10. In analysing a related party transaction, the expert is also required to express an opinion on whether the transaction is 'fair and reasonable' from the perspective of non-associated members (based on a separate assessment of whether the transaction is 'fair' and 'reasonable') and for related party transactions that are also control transactions, the assessment should be on the basis of RG 111.11.

2.3 Conduct of our assessment

We have assessed the Proposed Transaction as being:

- 'fair' if the value of one Papyrus Australia share after the Proposed Transaction (on a minority basis) is equal to or greater than the value of one Papyrus Australia share before the Proposed Transaction (on a 100% or controlling basis); and
- 'reasonable' if it is fair, or despite not being fair, after considering other significant factors, we believe there are sufficient reasons for Shareholders to approve the Proposed Transaction, in the absence of any alternative offers.

This engagement is conducted in accordance with Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

3. SUMMARY AND OPINION

This section is a summary of our opinion and cannot substitute for a complete reading of this Report. Our opinion should be read in conjunction with this Report in its entirety. Our opinion is based solely on information available as at the date of this Report.

In our opinion, the Proposed Transaction is not fair but reasonable to Shareholders. The principal factors that we have considered in forming our opinion are summarised below.

3.1 Assessment of Fairness of the Proposed Transaction

In determining whether or not the Proposed Transaction is fair to Shareholders, we have compared the fair value of a Papyrus Australia share on a control basis before the Proposed Transaction to the fair value of a Papyrus Australia share on a minority basis after the Proposed Transaction for Shareholders. This is summarised as follows.

	Ref	Low	Preferred	High
Value per Papyrus Australia Share on a control basis before the Proposed Transaction	9.1	$0.0056	$0.0061	$0.0065
Value per Papyrus Australia Share on a minority basis after the Proposed Transaction	10.1	$0.0053	$0.0059	$0.0064

Source: NPCF analysis

The analysis shows that the fair value of a Papyrus Australia share on a minority basis after the Proposed Transaction is lower than the fair value of a Papyrus Australia share on a control basis before the Proposed Transaction. **Therefore, we have concluded that the Proposed Transaction is not fair to Shareholders.**

3.2 Assessment of Reasonableness of the Proposed Transaction

In accordance with RG 111, a transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, there are sufficient reasons for Shareholders to approve the Proposed Transaction, in the absence of any alternative offers.

In forming our opinion, we have considered the following relevant factors (see section 12).

Advantages of the Proposed Transaction	Disadvantages of the Proposed Transaction
• The ability to recognise Papyrus Egypt's revenues and profits at the Papyrus Australia level through consolidated financials; • The Proposed Transaction gives Papyrus Australia full control of the strategic objectives and operational direction of Papyrus Egypt, and will better align interests between Papyrus Egypt and Papyrus Australia's board, management and shareholders; • Consolidation of operational resources between Papyrus Australia and Papyrus Egypt, and incorporation of intellectual property development and technological improvement within Papyrus Australia; • The Proposed Transaction will be completed as a share swap, therefore no cash outlay is required; and • Potential to increase liquidity of Papyrus Australia shares.	• The Proposed Transaction is not fair; • Dilution of Papyrus Australia's shareholders' interests; and • There is no guarantee that Papyrus Australia's shares will increase in liquidity due to the expanded share capital following the Proposed Transaction.

Although the Proposed Transaction is not fair, taking into account other significant factors, **we have concluded that the Proposed Transaction is reasonable.**

4. LIMITATIONS

4.1 Individual shareholders' circumstances

The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's own assessment of the Proposed Transaction and own assessment of their circumstances, including their own risk profile, liquidity preference, tax position and expectations as to value and future market conditions. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of General Meeting, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction. If in doubt about the Proposed Transaction or matters dealt with in this Report, shareholders should seek independent professional advice.

4.2 Limitations on reliance on information

The documents and information relied on for the purposes of this Report are set out in Appendix B. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that documents and material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable to the shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose. We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.

An important part of the information used in forming an opinion of the kind expressed in this Report is the opinions and judgement of Directors and management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

NPCF are not the auditors of Papyrus Australia or Papyrus Egypt. We have analysed and reviewed information provided by the Directors and management of Papyrus Australia and made further enquiries where appropriate. Preparation of this Report does not imply that we have in any way audited the accounts or records of Papyrus Australia and Papyrus Egypt.

In forming our opinion we have assumed:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Notice of General Meeting to be sent to shareholders is complete, accurate and fairly represented in all material respects; and
- the publicly available information relied upon by NPCF in its analysis was accurate and not misleading.

This Report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this Report which may impact upon this Report or which may impact upon the assumptions referred to in the Report.

Yours faithfully

Nexia Perth Corporate Finance Pty Ltd

Evelyn Tan
Director

Muranda Janse Van Nieuwenhuizen
Director

STRUCTURE OF REPORT

Our Report is set out under the following headings:

APPENDICES

5. OVERVIEW OF PAPYRUS AUSTRALIA LIMITED

5.1 Company overview

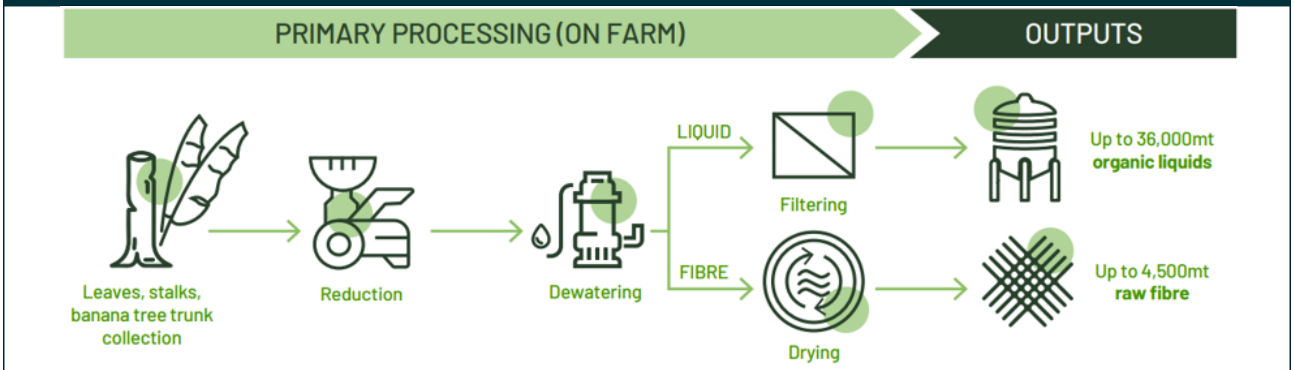
Papyrus Australia Limited, founded in 1995 and listed on the ASX in 2005 (ASX code: PPY), specialises in the development and production of sustainable packaging solutions. Papyrus Australia has developed technology that converts plantation waste from banana and plantain crops into fibre that can be used to replace wood and plastic based materials in food packaging.

Current operations are focused on Papyrus Australia's joint venture in Egypt, Papyrus Egypt, which manages an organic liquid fertiliser and banana fibre production plant in Sohag. Further capacity is expected to come online soon following the commissioning of a moulding plant, using Papyrus Australia's technology and installed by Papyrus Egypt, but owned and operated by an Egyptian Government entity. This facility will be supplied fibre from Papyrus Egypt's Sohag factory. This contract is detailed further in section 6.

5.2 Overview of the process developed by Papyrus Australia

The process developed by Papyrus Australia uses banana plantation waste, a renewable, biodegradable, natural fibre source that is fully sustainable and does not contribute to the destruction of natural or purpose-planted forests. Using a process, which is chemical free that does not consume water, the banana plantation waste is converted to raw fibre that can be used to produce moulded food packaging and organic liquids that can be used as fertiliser. An overview of the process and outputs is shown below:

Process Overview

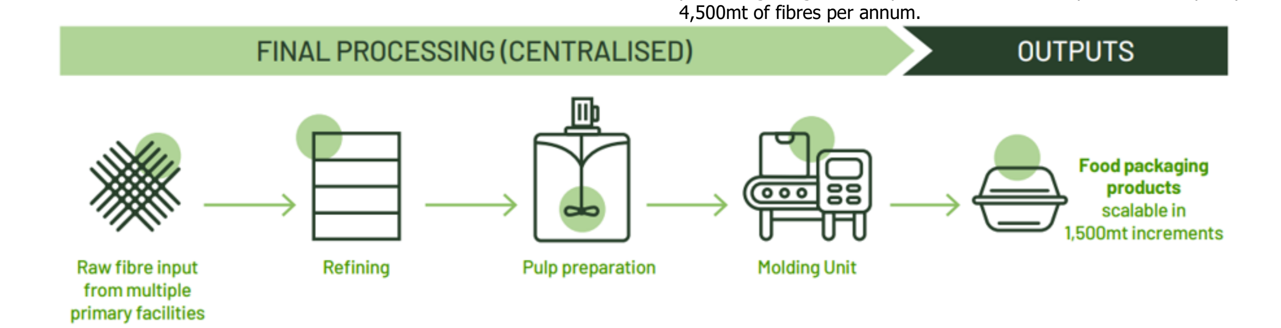


Banana waste including tree trunks, leaves, stalks, and other waste is delivered to the plants receiving area.

The waste then enters a reduction process that results in a ready to process banana waste.

The ready to process banana waste enters a refining then dewatering process, resulting in the production of two major raw materials: liquids and fibres.

- **Liquids:** the plant has a potential production capacity of up to 36,000mt of unconcentrated liquids per annum. The sap is treated biologically using organic additives and a fermentation process producing a range of different types of fertilisers. Papyrus is further developing the treatment and concentration options to improve the utilisation of the organic liquids.
- **Raw fibres:** the raw fibres can undergo an optional drying stage if long term storage is required, then the raw fibres are transferred to the final processing stage. Each plant module has a production capacity of 4,500mt of fibres per annum.



The raw fibres enter the pulp prep line and undergo further refining and treatment to enable the fibres to be moulded.

The output then enters a moulding unit that produces different packaging materials and containers depending on the mould that is being used.

Source: Papyrus Australia

5.3 Company outlook

There is a strong groundswell of demand for products that provide a positive impact to both social and environmental outcomes, and Papyrus Australia's vision is to become the global technology leader for the conversion of banana plantation waste into consumable products.

In addition to the continued ramp up of operations in Egypt, specifically the commissioning, then production ramp up of the banana fibre moulding facility for the Egyptian Government, Papyrus Australia has three main areas of focus:

- the Company has completed the initial engineering and design concept work to modularise the processing facilities developed in Egypt for containerisation to deploy to new locations and facilities;
- the Company has also commenced developing the equipment supply chain capability to fabricate, deliver and install equipment into new locations and facilities; and
- following a very successful promotion at COP27 and the ongoing business development, the Company is following through with a number of positive new potential partners in other major banana growing regions, namely, The Philippines, South America and India.

5.4 Consolidation proposal for Papyrus Egypt within Papyrus Australia

Papyrus Egypt is the joint venture company established to further develop Papyrus Australia's banana fibre technology. Papyrus Egypt is jointly owned between Papyrus Australia and EBFC, each holding 50% share and 50% of the voting rights. As Papyrus Australia currently owns 39.22% of EBFC, through its wholly owned subsidiary PPYM, Papyrus Australia's total direct and indirect shareholding in Papyrus Egypt is 69.61%.

On 28 April 2023, Papyrus Australia announced a proposal to consolidate Papyrus Egypt within Papyrus Australia and on 29 January 2024, Papyrus Australia signed a share sale and purchase agreement with EBFC for Papyrus Australia to acquire the remaining interest in Papyrus Egypt that it does not already own, either directly or indirectly, so that it will result in Papyrus Australia obtaining 100% ownership of Papyrus Egypt after the transaction. The Proposed Transaction will involve the following share swap:

- EBFC's shareholders other than PPYM will incorporate a new company (or Newco) to hold their Papyrus Australia shares as contemplated in the Proposed Transaction;
- Papyrus Australia will issue to Newco ordinary fully paid Papyrus Australia shares that equate to 15% of its issued shares following shareholder approval and the completion of Proposed Transaction. The shares issued to Newco will be escrowed for 12 months from the issue date; and
- EBFC will transfer all of its shares in Papyrus Egypt to PPYM.

The consolidation of Papyrus Egypt within Papyrus Australia presents Papyrus Australia with a number of advantages, including but not limited to:

- the ability to recognise Papyrus Egypt's revenues and profits at the Papyrus Australia level through consolidated financials;
- the ability to have full control of the strategic and operational direction of Papyrus Egypt;
- an enhanced ability to share financial and operational resources between the two entities;
- intellectual property development and technological improvement will be incorporated into the Papyrus Australia portfolio; and
- a clearer alignment of interests between Papyrus Egypt management and shareholders to that of Papyrus Australia.

An overview of Papyrus Egypt and its financial information are presented in section 6.

Nexia Australia

5.5 Directors and key management

Below is a table of the directors and key management personnel of Papyrus Australia:

Name	Position
Edward Byrt	Executive Chairman
Daniel Schmidt	Interim Chief Executive Officer
Pascal Gouel	Executive Director Business Development
David Attias	Non-Executive Director
Vincent Rigano	Company Secretary and Non-Executive Director

5.6 Financial information

Set out below are the audited consolidated financial statements for Papyrus Australia and its subsidiaries (the 'Group') for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023 ('FY 2021', 'FY 2022' and 'FY 2023', respectively) and the Group's reviewed consolidated financial statements for the half-year ended 31 December 2023 ('HY 2024').

The audit reports for FY 2021, FY 2022 and FY 2023 were unqualified, and in its independent auditor's review report for HY 2024, Papyrus Australia's auditors concluded that in their review, which was not an audit, they did not become aware of any matter that made them believe that the half-year financial report of the Group does not comply with the Corporations Act 2001. In the section titled material uncertainty relating to going concern, Papyrus Australia's auditors drew attention to the notes to the financial statements. However, the auditor's conclusion was not modified in respect of this matter.

The notes to the financial statements for the half-year ended 31 December 2023 state that the Group incurred a loss of $181,250 (we note, however, the reported loss was $234,096) and had net cash outflows from operating activities of $280,597. The directors believe it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report considering the following factors:

- the ability of the Group to raise additional capital either through an additional placement and/or the exercise of options;
- the expected repayment of amounts loaned to Papyrus Egypt;
- access to additional funding through the Group's agreement with Talisker (SA) Pty Ltd (an entity associated with Ramy Azer) to support operations; and
- potential cash flows from Papyrus Egypt resulting from the revenue generated from the sale of fibre to the Egyptian Government project and the offtake contact income for the sale of output generated by Egyptian Government project.

However, the notes to the financial statements also noted that there remains a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the entity does not continue as a going concern.

In addition, the independent auditor's report for FY 2023 contained a key audit matter ('KAM') with regards to the Group's total direct and indirect interest in Papyrus Egypt of 69.61% due to the significant management judgement involved in the assessment of whether the Group has control over Papyrus Egypt and the consequential accounting implications. The independent auditor's report for FY 2022 contained the same KAM.

The independent auditor's report for FY 2021 contained KAMs with regards to directors forming a view that the certain balances had not been accounted for appropriately in the prior years due to the amount of errors being material and involving a degree of complexity and management judgments. The errors were corrected by restating each of the affected financial statement lines for prior periods, as disclosed in the notes to the accounts. The independent auditor's report for FY 2021 also contained a KAM with regards to accounting for investments in Papyrus Egypt and EBFC using the equity method in accordance with Australian Accounting Standards Board ('AASB') 128 Investments in Associates and Joint Ventures due to the transactions and consequential accounting being non-routine, complex and involved significant management judgment.

5.6.1 Consolidated Statement of Profit or Loss and Other Comprehensive Income

Set out below is Papyrus Australia's audited Consolidated Statement of Profit or Loss and Other Comprehensive Income for FY 2021, FY 2022 and FY 2023, and reviewed Consolidated Statement of Profit or Loss and Other Comprehensive Income for HY 2024:

In A$s	Note	Audited FY 2021	Audited FY 2022	Audited FY 2023	Reviewed HY 2024
Other income	a)	-	-	97,630	336,621
Share based payment expense		(36,856)	(97,685)	(11,275)	(220,410)
Consultancy expenses/salaries and wages	b)	(149,483)	(391,941)	(408,319)	(128,230)
Depreciation expense		-	(212)	(1,352)	(1,062)
Employee benefits expenses	c)	(18,963)	(163,251)	(371,587)	(133,637)
Other expenses	d)	(311,680)	(276,346)	(446,359)	(249,620)
Share of net profits of associate and joint venture	a)	426,199	(247,336)	(362,386)	162,242
Loss before income tax benefit[1]		**(90,783)**	**(1,176,771)**	**(1,503,648)**	**(234,096)**
Income tax benefit		-	-	-	-
Loss for the period	e)	**(90,783)**	**(1,176,771)**	**(1,503,648)**	**(234,096)**
Other compressive income		-	-	-	-
Total comprehensive income for the period		**(90,783)**	**(1,176,771)**	**(1,503,648)**	**(234,096)**
Loss attributable to the parent		(90,783)	(1,176,771)	(1,503,648)	(234,096)
Loss for the period		**(90,783)**	**(1,176,771)**	**(1,503,648)**	**(234,096)**
Total comprehensive income attributable to the parent		(90,783)	(1,176,771)	(1,503,648)	(234,096)
Total comprehensive income attributable to members of the parent entity		**(90,783)**	**(1,176,771)**	**(1,503,648)**	**(234,096)**

Source: Papyrus Australia's audited financial statements for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023, and reviewed financial statements for the half-year ended 31 December 2023

[1] *Amendment to loss before income tax benefit in FY 2023 was made to correct an error in Papyrus Australia's audited financial statements*

The table above should be read in conjunction with the following notes:

a) The Group's main operating activities relate to the operations of the Papyrus Egypt joint venture. As the Group has joint control of Papyrus Egypt, with the other party sharing the joint control being EBFC, the Group's investment in Papyrus Egypt is accounted for using the equity method in accordance with AASB 128 Investments in Associates and Joint Ventures and reported under share of net profits of associate and joint venture. In FY 2023, the Group's total direct and indirect share, of 69.61%, of Papyrus Egypt's total comprehensive income of $(520,595) resulted in share of net profits of associate and joint venture of $(362,386). In HY 2024, Papyrus Egypt reported a profit, as a result Papyrus Australia's share of net profits of associate and joint venture improved to $162,242.

   In FY 2023, other income of $97,630 included a R&D Tax incentive refund for FY 2022 and in HY 2024, other income of $336,621 included a R&D Tax incentive refund for FY 2023.

b) Consultancy expenses / salaries and wages include employee wages, marketing consultancy, accounting, and engineering and design services. The increase in FY 2022 was due to commencement of full year contract fees for Ramy Azer and commencement of engineering and design work.

c) Employee benefits expense includes wages, salaries and other remuneration expenses. The increases in FY 2022 and FY 2023 relate to commencement of full year wages for Peter Rostig and employment of Daniel Schmidt.

d) Other expenses mainly comprises audit and accounting fees, marketing, travel and accommodation, and share registry and ASX expenses.

e) Over the historical period, Papyrus Australia incurred net losses of $90,783, $1,176,771, $1,503,648 and $234,096 in FY 2021, FY 2022, FY 2023 and HY 2024, respectively.

5.6.2 Consolidated Statement of Financial Position

Set out below is Papyrus Australia's audited Consolidated Statement of Financial Position as at 30 June 2021, 30 June 2022 and 30 June 2023, and reviewed Consolidated Statement of Financial Position as at 31 December 2023:

In A$s	Note	Audited 30 Jun 2021	Audited 30 Jun 2022	Audited 30 Jun 2023	Reviewed 31 Dec 2023
Current assets					
Cash and cash equivalents	a)	2,071,640	1,376,268	425,003	324,997
Trade and other receivables	b)	452,634	1,045,373	1,559,071	1,359,270
Prepayments		9	-	6,067	28,822
Total current assets		**2,524,283**	**2,421,641**	**1,990,141**	**1,713,089**
Non-current assets					
Property, plant and equipment		-	2,960	2,280	6,047
Investments accounted for using the equity method	c)	1,299,578	1,052,242	689,856	973,147
Total non-current assets		**1,299,578**	**1,055,202**	**692,136**	**979,194**
Total assets		**3,823,861**	**3,476,843**	**2,682,277**	**2,692,283**
Current liabilities					
Trade and other payables	d)	121,916	203,984	201,791	145,283
Total current liabilities		**121,916**	**203,984**	**201,791**	**145,283**
Non-current liabilities					
Other non-current liabilities		-	-	-	-
Total non-current liabilities		-	-	-	-
Total liabilities		**121,916**	**203,984**	**201,791**	**145,283**
Net assets/(liabilities)		**3,701,945**	**3,272,859**	**2,480,486**	**2,547,000**
Equity					
Issued capital		25,032,581	25,672,581	26,372,581	26,452,781
Reserves		952,578	1,060,263	1,071,488	1,291,898
Accumulated losses		(22,283,214)	(23,459,985)	(24,963,583)	(25,197,678)
Total attributable to owners of the parent		3,701,945	3,272,859	2,480,486	2,547,000
Total equity/(deficit)		**3,701,945**	**3,272,859**	**2,480,486**	**2,547,000**

Source: Papyrus Australia's audited financial statements for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023, and reviewed financial statements for the half-year ended 31 December 2023

The table above should be read in conjunction with the following notes:

a) The main movements in cash and cash equivalents over the reported period relate to cash used for expenses, loans made to the Papyrus Egypt joint venture and proceeds from the issue of shares.

b) Trade and other receivables mainly relate a receivable from Papyrus Egypt, which represented $449,273, $1,039,623, $1,551,035 and $1,342,807 as at 30 June 2021, 30 June 2022, 30 June 2023 and 31 December 2023, respectively.

c) The Group's investment in Papyrus Egypt is accounted for using the equity method in accordance with AASB 128 Investments in Associates and Joint Ventures, and as at 31 December 2023, Papyrus Australia reported investments accounted for using the equity method of $973,147.

d) As at 31 December 2023, trade and other payables included $53,644 related to accrued interest on the loan provided by Talisker (SA) Pty Ltd (an entity associated with Ramy Azer). The interest is to be paid only when the Group makes sufficient profit.

5.6.3 Consolidated Statement of Cash Flows

Set out below is Papyrus Australia's audited Consolidated Statement of Cash Flows for FY 2021, FY 2022 and FY 2023, and reviewed Consolidated Statement of Cash Flows for HY 2024:

In A$s	Audited FY 2021	Audited FY 2022	Audited FY 2023	Reviewed HY 2024
Cash flows from operating activities				
Receipts from customers	-	-	-	-
Payments to suppliers and employees	(498,381)	(750,760)	(1,237,523)	(548,911)
Receipts tax incentives	-	-	-	268,314
Net cash used in operating activities	**(498,381)**	**(750,760)**	**(1,237,523)**	**(280,597)**
Cash flows from investing activities				
Purchase property, plant and equipment	-	(3,172)	-	(4,829)
Purchase of investment in equity accounting investments	(613,379)	-	-	-
Loans made to joint venture entity	(449,232)	(576,440)	(413,742)	(430,705)
Loan repayments from joint venture entity	-	-	-	367,408
Net cash used investing activities[1]	**(1,062,611)**	**(579,612)**	**(413,742)**	**(68,126)**
Cash flows from financing activities				
Proceeds from issue of shares and options	3,637,000	635,000	700,000	85,000
Transaction costs from issue of shares and options	-	-	-	(4,800)
Repayment of borrowings	(32,510)	-	-	-
Proceeds from R&D borrowings	-	-	-	163,897
Interest on R&D borrowings	-	-	-	(5,039)
Net cash provided by financing activities	**3,604,490**	**635,000**	**700,000**	**239,058**
Net (decrease)/increase in cash and cash equivalents	2,043,498	(695,372)	(951,265)	(109,664)
Cash at the beginning of the financial period	28,142	2,071,640	1,376,268	425,003
Cash at the end of the financial period	**2,071,640**	**1,376,268**	**425,003**	**315,339**

Source: Papyrus Australia's audited financial statements for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023, and reviewed financial statements for the half-year ended 31 December 2023

[1] *Amendment to net cash used investing activities in H1 2024 was made to correct an error in Papyrus Australia's reviewed financial statements*

5.7 Capital structure and ownership

5.7.1 Capital structure

Papyrus Australia's issued capital as at the following dates is detailed in the table below:

- at 31 December 2023, being Papyrus Australia's latest financial half-year end;

- at 12 April 2024, for illustrative purposes, being before the Proposed Transaction; and
- after the Proposed Transaction, based on 86,945,752 Papyrus Australia shares being issued to the shareholders of Newco.

	31 Dec 2023	12 Apr 2024	After Proposed Transaction
Fully paid ordinary shares	492,692,593	492,692,593	579,638,345
Unlisted options	65,837,987	63,110,714	63,110,714

Source: Papyrus Australia's 31 December 2023 reviewed financial statements, Papyrus Australia's securities register as at 12 April 2024 and NPCF analysis

5.7.2 Fully paid ordinary shares

Papyrus Australia's issued capital as at 12 April 2024 included 492,692,593 fully paid ordinary shares. The top 20 shareholders hold 62.15% of the issued capital of Papyrus Australia as set out below:

Shareholder	Shareholding	%
Certane CT Pty Ltd <L39 Capital>	70,250,000	14.26%
BIJO (SA) Pty Ltd <Azer Family A/C>	30,756,400	6.24%
Mr Ramy Azer <Azer Family A/C>	30,137,489	6.12%
Rondelle Pty Ltd <ML & HE Craig Super Fund A/C>	28,289,770	5.74%
Union Pacific Equities Pty Ltd	21,650,000	4.39%
Stroud Nominees Pty Ltd <Byrt Super Fund-EM Byrt A/C>	16,456,061	3.34%
V P Rigano & Co Pty Ltd	12,830,445	2.60%
Fay Fuller Foundation Pty Ltd <Fay Fuller Foundation A/C>	12,198,864	2.48%
Mr Karim Mohamed Hamdouh Abbas	11,125,000	2.26%
Mr Stevo Hinic	9,910,091	2.01%
Stroud Nominees Pty Ltd <Byrt Super Fund A/C>	8,785,768	1.78%
Mr Ehab Amir Nakhla Hennes	7,315,712	1.48%
Mr Anthony Richard Lewis <Est Helen Joyce Schicha A/C>	7,097,359	1.44%
BNP Paribas Noms Pty Ltd	6,958,305	1.41%
Mr Paul Lapere	6,109,751	1.24%
BPE Investments Pty Ltd	6,042,006	1.23%
Mr Con Tsakalis	5,400,000	1.10%
Mr David Robert Woodward	5,248,000	1.07%
Citicorp Nominees Pty Limited	5,119,888	1.04%
Ingsol Pty Ltd	4,526,119	0.92%
Top 20 shareholders	**306,207,028**	**62.15%**
Other shareholders	186,485,565	37.85%
Total shareholders	**492,692,593**	**100.00%**

Source: Papyrus Australia's securities register as at 12 April 2024

During the calendar year 2023, Papyrus Australia undertook three capital raising processes that received commitments from sophisticated investors. On 5 January 2023, the Company announced that it had raised $300,000 via a private placement of 5,454,546 ordinary fully paid shares at a price of $0.055 per share. On 9 June 2023, it was announced that $400,000 was raised via a private placement of 14,285,714 ordinary fully paid shares at a price of $0.028 per share. The latest capital raise, announced on 4 September 2023, was a private placement of 3,200,000 ordinary fully paid shares at a price of $0.028 per share. In each case the use of proceeds was working capital requirements.

5.7.3 Shareholders by size of shareholding

The table below summarises Papyrus Australia's current shareholders by size of shareholding as at 12 April 2024:

Spread of holdings	Number of holders	Number of units	% of total issue capital
1 - 1,000	109	64,171	0.01%
1,001 - 5,000	240	737,047	0.15%
5,001 - 10,000	260	2,201,133	0.45%
10,001 - 100,000	903	31,100,402	6.31%
100,001 Over	312	458,589,840	93.08%
Total	**1,824**	**492,692,593**	**100.00%**

Source: Papyrus Australia's securities register as at 12 April 2024

5.7.4 Unlisted options

Papyrus Australia's issued capital as at 12 April 2024 included 63,110,714 unlisted options as set out below:

	Issue date	Number of options	Expiry date
Options exercisable at $0.20	4 May 2021	250,000	4 May 2026
Options exercisable at $0.40	4 May 2021	250,000	4 May 2026
Options exercisable at $0.10	1 Apr 2022	250,000	1 Apr 2025
Options exercisable at $0.03	9 Jun 2023	14,285,714	9 Jun 2025
Options exercisable at $0.03	28 Jun 2023	25,000,000	28 Sep 2024
Options exercisable at $0.04	4 Sep 2023	3,075,000	3 Sep 2024
Options exercisable at $0.06	2 Nov 2022	10,000,000	1 Nov 2025
Options exercisable at $0.12	2 Nov 2022	10,000,000	1 Nov 2027
Total unlisted options		**63,110,714**	

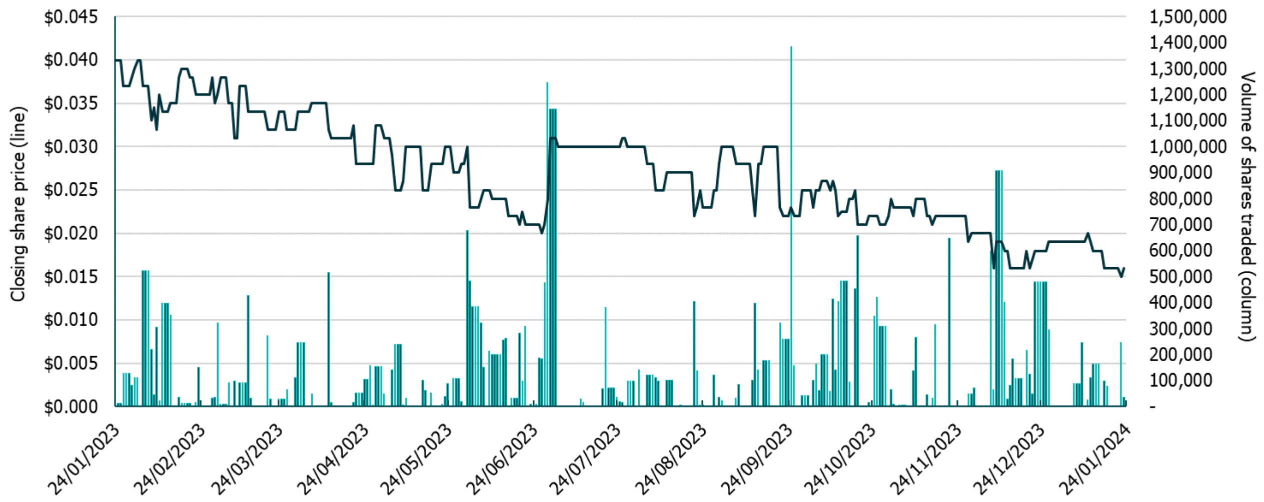
Source: Papyrus Australia's 30 June 2023 audited financial statements and ASX announcements

Given that Papyrus Australia's shares closed at $0.01 per share on 1 May 2024, which is on or around the date of this Report, the unlisted options in Papyrus Australia are out-the-money as at the date of this Report.

5.8 Share price and volume trading analysis

The following chart provides a summary of the trading volumes and prices for Papyrus Australia's shares from 24 January 2023 to 23 January 2024, which was the last full trading day prior to the announcement of the acquisition of Papyrus Egypt:

Papyrus Australia shares – Closing Price and Daily Volume



Source: Yahoo! Finance and NPCF analysis

The chart above shows that over the 12 months to 23 January 2024, the closing price of a Papyrus Australia share has traded within a range of $0.015 to $0.040, with a closing price of $0.016 on 23 January 2024. Papyrus Australia's share price high and lows, volume weighted average price ('VWAP') and volumes for the year to 23 January 2024 are summarised in the table below:

Period to 23 Jan 2024	Share Price Low	Share Price High	Cumulative Volume Traded	VWAP	Shares Traded as % of Capital	Shares Traded % Per Week
1 day	$0.016	$0.016	35,000	$0.0160	0.01%	0.04%
7 days	$0.015	$0.016	361,838	$0.0153	0.07%	0.05%
30 days	$0.015	$0.020	2,863,792	$0.0179	0.58%	0.10%
60 days	$0.015	$0.022	9,272,954	$0.0183	1.88%	0.16%
90 days	$0.015	$0.024	12,160,700	$0.0191	2.47%	0.14%
180 days	$0.015	$0.030	23,267,190	$0.0215	4.73%	0.13%
365 days	$0.015	$0.040	45,381,207	$0.0255	9.35%	0.13%

Source: ASX, Yahoo! Finance and NPCF analysis

As shown above, the average number of Papyrus Australia shares traded per week as a percentage of capital ranged from 0.05% to 0.16% over the various periods in the 12-month period. The low percentage of Papyrus Australia shares traded per week suggests that there is generally low liquidity in Papyrus Australia shares.

6. OVERVIEW OF PAPYRUS EGYPT LLC

6.1 History

Papyrus Egypt LLC was established in 2011 as a joint venture between Papyrus Australia and the Egyptian Banana Fibre Company, each holding 50% share and 50% of the voting rights. The primary purpose of Papyrus Egypt is to operate the factory in Sohag, Egypt with Papyrus Australia technology and explore opportunities in Egypt and the Middle East market.

Papyrus Egypt's commercial operations started in 2018, processing banana waste into two major products: natural liquid organic fertilisers and natural banana fibres. Then, in 2022, Papyrus Egypt, operating from a leased plant in Sharqiyah, started processing the extracted banana fibres into environmentally friendly, durable, and degradable egg trays. The Sharqiyah plant was used to prove moulding capability at commercial scale. In September 2022, Papyrus Egypt completed the commissioning and start-up of a new production line in Sohag with a total annual capacity of 36,000 tonnes of organic liquids and 4,500 tonnes of banana fibres.

In November 2022, Papyrus Egypt announced a key contract with the Egyptian Government that includes the sale of banana fibre moulding line equipment and a moulded banana fibre product offtake agreement. The background to the contract and its main terms are detailed below. Following the successful demonstration of moulding capability at the Sharqiyah plant, recently, the plant was closed to allow greater focus on production at the moulding facility as part of the contract with the Egyptian Government.

6.2 Overview of products

The two main products produced by Papyrus Egypt are food packaging products and liquid organic fertilisers:

- Sustainable packaging products - using the fibres produced from processing banana waste (as described in section 5.2) as the main input in the production of degradable and sustainable packaging products.
- Liquid organic fertilisers - banana waste is converted to liquid fertilisers. The sap produced, the main component of the fertiliser, contains natural primary and secondary nutrients in high values. When applied, enhances productivity, and improves the quality of both fruit and vegetable, and that of the soil. Through the addition of organic additives and a fermentation process, various liquid organic fertilisers are produced.

The following table shows Papyrus Egypt's full product mix, including products already in commercial production and those still in the pipeline:

Product	Status	Product examples
Egg trays	Commercial trials and sales successful	
Cup holders	Installing production capacity	 
Food trays	Under market study	 
Sandwich organic containers	Under market study	 
Liquid organic fertiliser	Small scale farm trials Lab study to concentrate liquids	
Cairo peat (organic soil)	Under market study	
Bukashi (solid organic fertiliser)	Under study	

Source: Papyrus Australia

6.3 Manufacturing agreement with the Egyptian Government

Egypt generates a significant volume of banana plantation waste annually within established banana plantations in the Nile Valley and the Delta, and to date there has been no system to retrieve and commercially process this valuable resource. As a response, the Egyptian Government has committed to establishing a national banana plantation waste retrieval industry and has acknowledged that Papyrus Australia has the technology to enable the process and conversion of banana plantation waste into valuable environmentally friendly food packaging products.

The contract signed with Government of Egypt, under which Papyrus Egypt will establish the first commercial "moulded banana fibre products" factory (based in Cairo), involves the following:

- Papyrus Egypt supplying, installing and commissioning a banana fibre moulding production line ('the MP Moulding Line') for banana fibre food packaging products (including egg trays, fruit trays and cup holders) made directly from banana fibre supplied by Papyrus Egypt;
- the moulding facility being run by the Egyptian Government's Ministry of Military Production with Papyrus Egypt providing support in training on all aspects of the operation of the moulding line. Papyrus Egypt will operate the moulding facility for the first year while the facility builds capability;
- the moulding facility initially being supplied exclusively with fibre from Papyrus Egypt's Sohag factory, before it is later expanded to include processing facilities contracted by Papyrus Egypt; and
- a moulded banana fibre product offtake agreement whereby Papyrus Egypt will procure all moulded products produced from the banana fibre moulding line to sell through its distribution network in Egypt.

Once set up, the plant will have the capacity to process 2,500 tonnes of banana fibre per year, with the capability of producing approximately 60 million pieces of food packaging annually and the potential for more than US$1.5 million annually in additional end-product sales by Papyrus Egypt.

As announced on 29 February 2024, the moulding line to produce banana fibre packaging products was installed between the months of October 2023 and December 2023. The commissioning of the line commenced in January 2024.

6.4 Financial Information

Set out below are Papyrus Egypt's unaudited financial statements for the financial year ended 30 June 2022, audited financial statements for the financial year ended 30 June 2023 and reviewed financial statements for the half-year ended 31 December 2023.

The audit report for the financial year ended 30 June 2023 was unqualified and in its independent auditor's review report for the half-year ended 31 December 2023, Papyrus Egypt's auditors concluded that in their review, which is not an audit, nothing came to their attention that caused them to believe that the half-year financial report of Papyrus Egypt does not present fairly, in all material respects, the financial position of Papyrus Egypt as at 31 December 2023, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with International Accounting Standard IAS 34 Interim Financial Reporting. In the section titled material uncertainty relating to going concern, Papyrus Egypt's auditors drew attention to the notes to the financial statements. However, the auditor's conclusion was not modified in respect of this matter.

The notes to the financial statements for the half-year ended 31 December 2023 state that Papyrus Egypt presented a net current asset deficiency of EGP17,163,530. Management believe it is reasonably foreseeable that the Papyrus Egypt will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report considering the following factors:

- the ability of Papyrus Egypt to raise additional capital from shareholders;
- the potential cash flows resulting from the revenue generated from the sale of fibre to the Egyptian Government project and the offtake contract income for the sale of output generated by the project;
- the execution of potential contracts with other Government governorates for the establishment of similar facilities to the Egyptian Government project; and
- the ongoing financial support from Papyrus Australia.

However, the notes to the financial statements also noted that there remains a material uncertainty which may cast significant doubt as to whether Papyrus Egypt will continue as a going concern, and therefore Papyrus Egypt may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the entity does not continue as a going concern.

6.4.1 Statement of Profit and Loss and Other Comprehensive Income

Set out below is Papyrus Egypt's unaudited Statement of Profit or Loss and Other Comprehensive Income for FY 2022, audited Statement of Profit or Loss and Other Comprehensive Income for FY 2023 and reviewed Statement of Profit or Loss and Other Comprehensive Income for HY 2024 (the financial statements are presented in Egyptian Pounds):

In EGPs	Note	Unaudited FY 2022	Audited FY 2023	Reviewed HY 2024
Revenue	a)	2,369,270	1,956,811	22,531,716
Cost of sales	b)	(317,798)	(453,626)	(8,832,820)
Employment expenses	c)	(830,270)	(2,453,689)	(1,988,702)
Depreciation expense		(1,129,070)	(1,236,198)	(399,206)
Marketing expenses		(675,023)	(943,693)	(83,076)
Research & development expenses	d)	(2,154,323)	(5,054,240)	(1,738,525)
Impairment (expense)/reversal	e)	-	-	(4,236,431)
Other expenses	f)	(1,678,809)	(777,089)	(351,684)
Profit/(loss) before income tax		**(4,416,023)**	**(8,961,724)**	**4,901,272**
Income tax expense/(benefit)		-	-	-
Profit/(loss) for the period	g)	**(4,416,023)**	**(8,961,724)**	**4,901,272**
Other comprehensive income		-	-	-
Total comprehensive income for the period		**(4,416,023)**	**(8,961,724)**	**4,901,272**
Profit/(loss) for the period		**(4,416,023)**	**(8,961,724)**	**4,901,272**
Total comprehensive income attributable to members		**(4,416,023)**	**(8,961,724)**	**4,901,272**

Source: Papyrus Egypt's unaudited financial statements for the year ended 30 June 2022, audited financial statements for the year ended 30 June 2023 and reviewed financial statements for the half-year ended 31 December 2023

The table above should be read in conjunction with the following notes:

a) Revenue in FY 2023 and FY 2022 includes revenues from contracts with customers of EGP1,765,624 and EGP2,315,344, respectively. By product line, sales of food packaging products were EGP1,290,404 in FY 2023 versus EGP406,072 in FY 2022 due to the scaling up of the moulded products operations in Sharqiyah. Sales of musa liquid fertiliser fell to EGP463,360 in FY 2023 from EGP1,886,670 in FY 2022 due to primary processing equipment upgrades in FY 2023, focused on the production of raw fibres to support commercial trials of moulded food packaging, which reduced the capacity to produce liquid fertilisers during FY 2023.

   The balance of revenue related to other income, which included scrap sales, interest income and exchange rate benefits.

   In HY 2024, revenue included EGP22,266,401 from the contract with the Egyptian Government following the delivery and installation of the banana fibre moulding line machinery.

b) Cost of sales included equipment for sale to the Egyptian Government's Ministry of Military Production, stock adjustments and packaging.

c) Employee benefits expense includes wages, salaries and other remuneration expenses. The increase in FY 2023 and HY 2024 relates to additional direct wages for installation of the MP Moulding Line and upgrades to the Sohag facility.

d) Research & development expenses increased from EGP2,154,323 in FY 2022 to EGP5,054,240 in FY 2023 following investment to support its international business goal and advance agricultural waste fibre technology.

e) In HY 2024, an impairment of EGP(4,236,431) was recognised due to other receivables representing payments made to the directors of the Company during the period ended 31 December 2023, for which provision for expected credit losses were subsequently fully provided for.

f) In FY 2022 and FY 2023, other expenses mainly comprises bad debt expenses of EGP439,605 and EGP740,064, respectively, which relate to write down of fertiliser sales during early trials in FY 2021, and an expense of EGP1,154,328 in FY 2022 due to general administration expenses and salaries, and other non-operating expenses. In HY 2024, other expenses included general administration expenses and salaries, and other non-operating expenses.

g) Over the historical period, Papyrus Egypt incurred net losses of EGP4,416,023 and EGP8,961,724 in FY 2022 and FY 2023, respectively, and a profit of EGP4,901,272 in HY 2024.

6.4.2 Statement of Financial Position

Set out below is Papyrus Egypt's unaudited Statement of Financial Position as at 30 June 2022, audited Statement of Financial Position as at 30 June 2023 and reviewed Statement of Financial Position as at 31 December 2023 (the financial statements are presented in Egyptian Pounds):

In EGPs	Note	Unaudited 30 Jun 2022	Audited 30 Jun 2023	Reviewed 31 Dec 2023
Current assets				
Cash and cash equivalents		1,255,553	166,665	1,202,598
Trade and other receivables		839,506	175,095	245,527
Inventories	a)	1,701,540	554,711	396,987
Other current assets		5,000	5,000	927,800
Total current assets		**3,801,599**	**901,471**	**2,772,912**
Non-current assets				
Property, plant and equipment	b)	21,371,290	21,598,378	23,695,142
Total non-current assets		**21,371,290**	**21,598,378**	**23,695,142**
Total assets		**25,172,889**	**22,499,849**	**26,468,054**
Current liabilities				
Trade and other payables	c)	13,444,091	19,011,775	19,936,442
Total current liabilities		**13,444,091**	**19,011,775**	**19,936,442**
Net assets		**11,728,798**	**3,488,074**	**6,531,612**
Equity				
Issued capital		2,136,733	2,857,733	1,000,000
Retained earnings		9,592,064	630,340	5,531,612
Total equity		**11,728,798**	**3,488,074**	**6,531,612**

Source: Papyrus Egypt's unaudited financial statements for the year ended 30 June 2022, audited financial statements for the year ended 30 June 2023 and reviewed financial statements for the half-year ended 31 December 2023

The table above should be read in conjunction with the following notes:

a) Inventories include raw materials and finished goods. Between 30 June 2022 and 31 December 2023, the balance of finished goods fell from EGP1,269,773 to EGP128,375 due to winding down production from Sharqiyah and Sohag while focused in conducting upgrades to support the new MP Moulding Line facility.

b) As at 31 December 2023, property, plant and equipment included EGP2,000,000 of freehold land at cost, EGP875,453 of land and building less depreciation, and EGP20,819,690 of plant and equipment less depreciation.

c) As at 31 December 2023, the trade payables balance was zero. Other payables included a EGP19,678,151 loan from Papyrus Australia Ltd, a EGP125,000 loan from Ramy Azer and a EGP125,000 loan from Heba Nayle.

6.4.3 Statement of Cash Flows

Set out below is Papyrus Egypt's unaudited Statement of Cash Flows for FY 2022, audited Statement of Cash Flows for FY 2023 and reviewed Statement of Cash Flows for HY 2023 (the financial statements are presented in Egyptian Pounds):

In EGPs	Unaudited FY 2022	Audited FY 2023	Reviewed HY 2024
Cash flows from operating activities			
Receipts from customers	1,589,993	2,621,222	22,540,007
Payments to suppliers and employees	(6,093,737)	(9,166,207)	(6,506,511)
Net cash provided by/(used in) operating activities	**(4,503,744)**	**(6,544,985)**	**16,033,496**
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,952,633)	(618,286)	(2,495,970)
Net cash used investing activities	**(2,952,633)**	**(618,286)**	**(2,495,970)**
Cash flows from financing activities			
Proceeds from issue of shares	-	721,000	-
Refund of proceeds from issue of shares	-	-	(721,000)
Receipt from related parties	6,613,400	5,353,383	3,000,000
Repayment of related party borrowings	-	-	(14,780,593)
Net cash provided by financing activities	**6,613,400**	**6,074,383**	**(12,501,593)**
Net (decrease)/increase in cash and cash equivalents	(842,977)	(1,088,888)	1,035,933
Cash at the beginning of the financial period	2,098,530	1,255,553	166,665
Cash at the end of the financial period	**1,255,553**	**166,665**	**1,202,598**

Source: Papyrus Egypt's unaudited financial statements for the year ended 30 June 2022, audited financial statements for the year ended 30 June 2023 and reviewed financial statements for the half-year ended 31 December 2023

7. INDUSTRY ANALYSIS

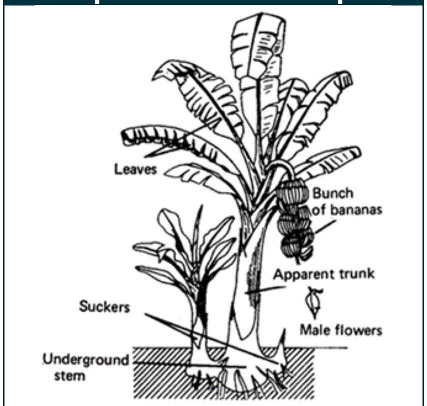
7.1 Banana crop lifecycle and disposal

Banana trees take up to nine months to grow, with each tree yielding one bunch of bananas. During its growth other stems (called suckers) grow alongside the tree, and once the main tree is harvested it dies and the suckers grow and mature into full sized banana trees and the cycle restarts once again.

The organic waste produced by banana plantations include:

- shoots (dead banana trees);
- flowers;
- crowns;
- leaves; and
- rejected fruits.

Description of the banana plant



To dispose of banana waste banana plantations use landfills where the waste is deposited until it dries and is then burnt. Other plantations leave the waste on the farm or dispose of it into nearby water ways and public infrastructure. These actions lead to green gas emissions and pollution of the surrounding water sources including underground reservoirs and the soil where the waste is disposed.

7.2 Banana production

In 2022, the global production of bananas (bananas, plantains and cooking bananas) was estimated to be approximately 179 million tonnes. India is the largest producer of bananas with approximately 34.5 million tonnes per year, followed by China, Uganda and Indonesia at approximately 12.1 million, 10.4 million and 9.2 million, respectively. Egypt is the 29th largest producer with an annual output of approximately 1.2 million tonnes. The following table shows total production and area harvested by country:

Rank	Country	Production (in tonnes)	Area harvested (in hectares)
1	India	34,528,000	963,000
2	China	12,111,644	356,831
3	Uganda	10,440,849	2,351,010
4	Indonesia	9,245,427	188,488
5	Philippines	9,013,289	442,894
6	Nigeria	8,019,203	540,387
7	Ecuador	6,936,351	282,070
8	Brazil	6,854,222	457,910
9	Democratic Republic of the Congo	5,695,954	1,301,416
10	Cameroon	5,538,667	565,302
11	Guatemala	5,038,698	97,250
12	Colombia	5,000,432	379,554
13	Ghana	4,929,072	430,755
14	Angola	4,589,099	172,102
15	United Republic of Tanzania	4,081,097	649,925
16	Rwanda	3,112,253	281,566
17	Côte d'Ivoire	2,644,692	561,352
18	Mexico	2,600,601	84,892
19	Costa Rica	2,577,142	53,710
20	Dominican Republic	2,548,775	79,357
29	Egypt	1,213,698	33,559
	other countries	32,543,975	2,400,618
	Total	**179,263,140**	**12,673,948**

Source: Food and Agriculture Organization of the United Nations

7.3 Egyptian banana production

According to the Egyptian Ministry of Agriculture & Land Reclamation, there are officially approximately 84,205 feddans (a feddan is an Egyptian unit of area equal to 1.038 acres) of banana plantations surveyed in Egypt, however the size could be much higher and estimated to be double at approximately 170,000 feddans. According to Papyrus Australia's management, based on an average output of 20 tonnes per feddan, Egypt's banana production can be estimated between approximately 1.7 to 3.4 million tonnes annually.

7.4 Egyptian banana waste production

Exact figures on the amount of banana waste produced by Egyptian plantations are not available, however, using estimates from three research reports, Papyrus Australia's management have assessed the average waste generated by banana plantations in Egypt to be between approximately 6.6 and 13.2 million tonnes per annum. Based on this estimate, Papyrus Egypt's current banana waste input consumption, of 45,000 tonnes per annum (assuming 100% production capacity), represents between 0.34% and 0.68% of the estimated annual banana waste produced. This analysis is shown below:

	Waste output (min)	Waste output (max)
Estimate 1 - every 40kg of bananas produce 250kg of waste	10,525,625 tonnes	21,051,250 tonnes
Estimate 2 - waste is equal to at least the banana output	1,684,100 tonnes	3,368,200 tonnes
Estimate 3 - 1 feddan yields approximately 92 tonnes of waste	7,728,000 tonnes	15,456,000 tonnes
Average	**6,645,908 tonnes**	**13,291,817 tonnes**
Papyrus Egypt's banana waste consumption	45,000 tonnes	45,000 tonnes
Demand on total output at 100% production capacity	0.68%	0.34%

Source: Papyrus Australia

7.5 Global food packaging industry

There are a number of publicly available research articles on the global food packaging industry. The articles generally define the packaging market to include product types such as bottles, jars, cans, bags/pouches, sachets, films/wraps, boxes/cartons, trays and clamshells, which are made from plastic, paper/paperboard, glass, metal or wood. The articles vary in their estimate of annual global packaging sales, but based on the average estimated annual sales across 2023 and 2024, annual global packaging sales are approximately $400 billion. The average compound annual growth rate for forecast periods of five-to-ten years is 5.4%.

Depending on the region, key growth drivers differ, but in general food packaging industry drivers observed include growing population and urbanisation, growing demand for convenience and processed food (such as ready-to-eat and frozen food and snacks), demand for extending food shelf-life, rising per capita disposable income, and growing food retail and foodservice infrastructure. The sustainability of food packaging is becoming increasingly important to consumers and the regulatory landscape around packaging material is becoming more stringent. In response, packaging companies are innovating in the use of more sustainable input materials as well as developing more sustainable and eco-friendly packaging solutions.

The food service segment is one of the largest markets for food packaging and covers product types such as corrugated boxes/cartons, plastic bottles, trays, plates, food containers, bowls, cups and lids, and clamshells, for end users including quick service and fast food restaurants, full-service restaurants, institutional companies and hospitality markets. Demand for packaging within the food service segment has particularly benefited from growing demand for eating out and on-the-go eating, which includes the increasing popularity of online food delivery services. Given this trend, the quick service and fast food restaurant segment is the main food service packaging end user.

8. VALUATION APPROACH

8.1 Definition of market value

Our valuation approach is based upon the guidance of RG 111. In forming our opinion as to whether or not the Proposed Transaction is fair to Shareholders, we have compared the fair value of a Papyrus Australia share on a control basis before the Proposed Transaction, to the fair value of a Papyrus Australia share on a minority basis after the Proposed Transaction. RG 111 defines fair value as the amount 'assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length...'.

8.2 Selection of valuation methodology

RG 111 provides guidance on the valuation methods that an independent expert should consider. These methods include:

- the discounted cash flow method and the estimated realisable value of any surplus assets (the 'discounted cash flow methodology');

- the application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (the 'capitalisation of earnings methodology');
- the amount that would be available for distribution to security holders on an orderly realisation of assets (the 'realisation of asset methodology');
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale ('quoted market price methodology');
- any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets; and
- the amount that an alternative bidder might be willing to offer if all the securities in the target were available for purchase.

The above are covered in more detail in Appendix D to this Report. Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly applied in valuing such an asset and the availability of appropriate information. It is possible for a combination of different methodologies to be used together to determine an overall value.

8.3 Valuation approach used to value a Papyrus Australia share before the Proposed Transaction

In determining the value of a Papyrus Australia share before the Proposed Transaction, we have applied the sum-of-parts methodology as the primary approach, which is based on the aggregation of the fair market values of the various assets and liabilities of the Company, where different valuation methodologies may be adopted for different assets. We have applied the discounted cash flow methodology to assess the value of Papyrus Australia's investment in Papyrus Egypt and we have applied the net assets on a going concern basis method to assess the value of Papyrus Australia's other assets and liabilities.

As a secondary approach, we performed a trading history analysis of the quoted market prices of Papyrus Australia's shares prior to the announcement of the Proposed Transaction and compared it (after applying a control premium to the share price) with the value we obtained using the sum-of-parts methodology.

We consider these to be the most appropriate methodologies as:

- in Papyrus Egypt's case, the business does not have a track record of positive earnings, so we were unable to apply the capitalisation of earnings methodology. We believe that the value using asset-based approaches would not truly reflect the earnings potential of Papyrus Egypt as it is capable of becoming profitable in the foreseeable future even though historically it has been loss making. Also, the quoted market price methodology is not relevant as Papyrus Egypt is not listed on any stock exchange. Therefore, we consider the discounted cash flow methodology the most appropriate methodology to value Papyrus Egypt based on the cash flow forecast prepared by management as the basis for our cash flow model;
- in Papyrus Australia's case, we were also unable to apply the capitalisation of earnings methodology as Papyrus Australia does not have a track record of positive earnings. The net assets approach is more relevant for Papyrus Australia, as generally the net assets methodology is used when the nature of the business is to hold or invest in assets and Papyrus Australia holds a joint venture investment in Papyrus Egypt;

- the quoted market price methodology is also relevant for Papyrus Australia because its shares are listed on the ASX, meaning there is a regulated and observable market where Papyrus Australia's shares can be traded, and from where we can analyse historical prices for Papyrus Australia shares. However, we consider this as a secondary cross-check approach due to the relatively low level of liquidity in Papyrus Australia shares;
- we are not aware of any offers for Papyrus Australia or Papyrus Egypt that could be utilised as a comparison to the valuation under the sum-of-parts methodology or discounted cash flow methodology, respectively.

In applying the sum-of-parts methodology, we aggregated the fair market values of the various assets and liabilities of Papyrus Australia. To assess the value of Papyrus Egypt we discounted Papyrus Egypt's expected future cash flows to a present value using an appropriate discount rate, then added the value of other assets and liabilities to arrive at the equity value. To assess the value of Papyrus Australia's current shareholding in Papyrus Egypt we applied a 69.61% shareholding, which represents Papyrus Australia's current direct and indirect (through PPYM) shareholding. We also applied a discount for lack of control due to Papyrus Australia having joint control of Papyrus Egypt on the basis of a 50% voting share, with EBFC holding the other 50% voting share. The net assets of Papyrus Australia excluding the book value of its investment in Papyrus Egypt were then added to arrive at the equity value of Papyrus Australia.

8.4 Valuation approach used to value a Papyrus Australia share after the Proposed Transaction

In determining the value of a Papyrus Australia share after the Proposed Transaction, we also applied the sum-of-parts methodology by aggregating the value of Papyrus Australia's investment in Papyrus Egypt and the value of Papyrus Australia's other assets and liabilities. For this assessment, the equity value of Papyrus Egypt was assessed using the discounted cash flow methodology and adding the value of other assets and liabilities of Papyrus Egypt.

9. VALUE OF A PAPYRUS AUSTRALIA SHARE BEFORE THE PROPOSED TRANSACTION

In determining the fair value of a Papyrus Australia share on a control basis before the Proposed Transaction, we have used the sum-of-parts methodology as our primary valuation methodology and the quoted market price methodology as our secondary valuation methodology.

9.1 Value per Papyrus Australia share before the Proposed Transaction

The value of a Papyrus Australia share on a control basis before the Proposed Transaction is set out below:

	Ref	Low	Preferred	High
Value per Papyrus Australia share on a control basis before the Proposed Transaction	9.2	$0.0056	$0.0061	$0.0065

Source: NPCF analysis

The following sections set out the basis upon which we have arrived at our valuation.

9.2 Value per Papyrus Australia share on a control basis using the sum-of-parts methodology

Assessing the value of a Papyrus Australia share using the sum-of-parts methodology involved the following steps:

- assessing the value of Papyrus Egypt's forecast cash flows using the discounted cash flow methodology and adding the value of Papyrus Egypt's other assets and liabilities to determine the equity value of Papyrus Egypt;

- applying a 69.61% shareholding to the equity value of Papyrus Egypt, which represents Papyrus Australia's current direct and indirect (through PPYM) shareholding, as well as applying a discount for the lack of control to reflect the lack of voting control because Papyrus Australia has joint control of Papyrus Egypt on the basis of a 50% voting share, with EBFC holding the other 50% voting share;
- adding the value of Papyrus Australia's other assets and liabilities (so excluding the book value of its investment in Papyrus Egypt), to determine the equity value of Papyrus Australia; and
- dividing the equity value of Papyrus Australia by the number of Papyrus Australia shares outstanding before the Proposed Transaction.

Our estimate of the value of a Papyrus Australia share based on our primary valuation methodology is as follows:

In A$s	Ref	Low	Preferred	High
Value of Papyrus Egypt's discounted cash flows[1]	9.2.1	2,907,572	3,357,572	3,807,572
Add value of other assets and liabilities of Papyrus Egypt[1]	9.2.2	(619,497)	(619,497)	(619,497)
Equity value of Papyrus Egypt on a control basis	9.2.2	**2,288,075**	**2,738,075**	**3,188,075**
Papyrus Australia's 69.61% share of equity value of Papyrus Egypt		**1,592,780**	**1,906,035**	**2,219,290**
Discount for lack of control	9.2.3	17%	18%	20%
Papyrus Australia's 69.61% share of equity value of Papyrus Egypt after discount		**1,322,007**	**1,562,949**	**1,775,432**
Papyrus Australia net assets excluding investment in Papyrus Egypt	9.2.4	1,419,094	1,419,094	1,419,094
Papyrus Australia net assets including investment in Papyrus Egypt		**2,741,101**	**2,982,043**	**3,194,526**
Total number of Papyrus Australia shares outstanding before the Proposed Transaction	5.7.1	492,692,593	492,692,593	492,692,593
Value per Papyrus Australia share on a control basis before the Proposed Transaction		**$0.0056**	**$0.0061**	**$0.0065**

Source: NPCF analysis

[1] *estimated value of Papyrus Egypt's cash flows using the discounted cash flow methodology, and the other assets and liabilities of Papyrus Egypt have been converted from Egyptian pounds to Australian dollars at the exchange rate on 31 March 2024 of 1 Egyptian pound = 0.032 Australian dollars*

9.2.1 <u>Assessment of the value of Papyrus Egypt's cash flows using the discounted cash flow methodology</u>

Assessing the value of Papyrus Egypt's cash flows using the discounted cash flow methodology involved the following steps:

- forecast Papyrus Egypt's expected future unlevered cash flows;
- estimate the terminal value of the cash flows beyond the forecast cash flow period; and
- determine an appropriate discount rate to be applied to discount the expected future cash flows and the terminal value to their net present value.

Each of these steps are presented below.

Papyrus Egypt's expected future unlevered cash flows

Management prepared a five-year business plan for Papyrus Egypt covering the period of the financial year ending 30 June 2024 to the financial year ending 30 June 2028 ('the Business Plan'). The Business Plan has been prepared on the basis of the ramping up of fertiliser sales, and the installation and commissioning of the MP Moulding Line to be operated by the Egyptian Government's Ministry of Military Production, then the ramp up of production at the facility with Papyrus Egypt purchasing, followed by the selling of the packaging products produced by the MP Moulding Line as per the offtake agreement described in section 6.3.

We evaluated the Business Plan and the assumptions used. Our evaluation was limited to the extent of satisfying ourselves that the Business Plan was not prepared on an unreasonable basis in order for us to use the Business Plan as the basis for the forecast cash flows in our discounted cash flow model. We used a valuation date of 31 March 2024.

Any forecast information used in the formation of our opinion is based on assumptions about events and circumstances that have not yet occurred, having regard to information available at the date of the forecast. The events and circumstances will be expected to take place, but there cannot be any assurance that they will occur as anticipated or at all given that many of the events are outside of the Company's control.

Our work does not constitute an audit or review, and accordingly, we do not express any assurance nor provide any opinion on the reasonableness of the underlying assumptions. We do not provide any assurance that the forecasts will be representative of the results that will ultimately be achieved or events that will occur. This report cannot be relied upon to disclose irregularities, including fraud, or other illegal acts and errors that may occur.

As the Business Plan contains commercially sensitive projections, we have not presented the full detail of the Business Plan in this Report. However, we have summarised below the Business Plan's key assumptions:

- During the months of April 2024 to June 2024, capital expenditure to upgrade the Sohag fertiliser production line is required to support the ramp up of fertiliser sales. The capital expenditure to upgrade the Sohag fibre production line was spent in the nine months prior to 31 March 2024.
- As the Sohag fertiliser and fibre production line upgrades are being completed, the amount of input feed material consumed ramps up until September 2024, when the amount of feed material processed per month peaks and remains flat thereafter. On this basis, the amount of feed material processed represents approximately 30% of the Sohag plant's processing capacity. The Business Plan includes assumptions on the percentage yield of fertiliser and raw fibre that result from processing the feed material.
- The fertiliser produced is largely the end-product with only the addition of fertiliser additive being required. Management plan to sell the fertiliser product through wholesalers and is currently negotiating distribution arrangements. Forecast fertiliser sales volumes ramp up until reaching peak volume in June 2025 based on selling 100% of the fertiliser processed from the waste feed material. The Business Plan assumes a fixed sales price per tonne for the fertiliser based on the fertiliser being sold as bulk liquid in tankers, so no packaging.
- Regarding the contracts with Egyptian Government's Ministry of Military Production, the Business Plan incorporates both contracts: the contract for the supply and commissioning MP Moulding Line equipment, and the offtake contract for banana fibre moulded products. The Business Plan includes the revenue, costs and gross margin associated with the supply and commissioning of the MP Moulding Line equipment, which was installed between October 2023 and December 2023. Due to the payment terms, approximately 50% of the gross margin associated with the contract has already been received, therefore the balance is reflected in the forecast cash flows used for our valuation as at 31 March 2024.
- Regarding the offtake contract, production at the MP Moulding Line facility is forecast to commence in April 2024, producing 7,000 cup holders per hour. As additional operating shifts are added, in June 2024 and August 2024, production ramps up until peaking in September 2024 and remaining flat thereafter.

  Papyrus Egypt is required to purchase all packaging products produced by the MP Moulding Line. The price paid by Papyrus Egypt covers all production costs plus an agreed margin, but excludes the cost of the raw fibre input material, which Papyrus Egypt supplies for free from the Sohag facility. The cost of the raw fibre input material is ultimately captured in the margin Papyrus Egypt makes selling the packaging product to distributors.

The Business Plan assumes 33% of the total cup holders produced each month are sold in the domestic market and 67% exported. Papyrus Australia is negotiating distributor agreements for the offtake products and already has one agreed in Egypt. Even though the Business Plan includes export distribution, management believe all of the MP Moulding Line output could be placed in the Egyptian market. Note that export revenue is based on a US dollar price per piece of packaging and that the Business Plan converts revenue into Egyptian pounds at an exchange rate that is held constant throughout the forecast (at US$1 = EGP47).

As monthly production at the MP Moulding Line peaks in September 2024, monthly revenue from the sale of packaging products, the cost of goods sold and gross profit are flat thereafter.

- Note that all packaging products revenue is based on domestic and export sales from the MP Moulding Line. The Business Plan does not include any packaging sales from the Shariyah facility.
- The Business Plan includes expenses including, but not limited to, staffing costs for a general manager and sales managers for fertiliser and food packaging, administration costs, technology development contracts, sales and marketing, audit, insurance, and travel and accommodation. Between the forecast years ending 30 June 2025 and 30 June 2028, no annual growth has been reflected in these expenses.
- From July 2024, the Business Plan includes additional revenue from the sale of carbon credits. The forecasts include the findings of a third-party report on the carbon abatement potential of banana plantation waste processed by Papyrus Egypt. Note that the carbon credit sales are in US dollars, which are converted into Egyptian pounds at the same US$1 = EGP47 exchange rate throughout the forecast.
- Taxes are based on the Egyptian corporate tax rate of 22.5%. However, due to historical net operating losses, the Business Plan includes zero tax for the forecast year ending 30 June 2024.

Terminal value

The terminal value represents the value of the cash flows beyond the Business Plan. To assess the terminal value we used the perpetuity method whereby final year's unlevered free cash flows are multiplied by an assumed long term growth rate, then divided by the discount rate less the growth rate. After considering Egypt's long term inflation rate and GDP growth rate, we have applied growth rate of 10%, and, based on discount rate assumptions below, a discount rate of 39.75%.

Discount rate

To discount the expected cash flows generated by Papyrus Egypt and the terminal value to present value, we have calculated an appropriate discount rate based on observable inputs and our expectation of the values that a market participant would use. We have calculated the discount rate using a modified capital asset pricing model and weighted average cost of capital model. We outline below the key assumptions used in our calculation:

- we have assumed a risk-free rate of 30% based on the yield of the 10-year Egyptian Government bond as at 31 March 2024;
- we have estimated a levered beta to be between 0.68 and 0.83, based on assessing the mean and median 2-year, 3-year and 5-year unlevered betas and the mean gearing ratio of a group of listed paper and plastic packaging companies;
- based on market research we have adopted an Egyptian equity market risk premium of 15.5%,
- a Papyrus Egypt specific risk premium of between 5.0% and 7.0% to reflect a premium related to the company size and additional risk associated with the financial forecast;
- assumed a pre-tax cost of debt of 35% based on a credit spread over an Egyptian interbank rate, and used a tax rate of 22.5% being the Egyptian corporate tax rate; and

- we have estimated a capital structure of 39% debt to 61% equity based on the mean gearing ratio of comparable paper and plastic packaging companies.

Based on the above, the discount rate is assessed to be in the range of 38.0% to 41.5% with a midpoint of 39.75%.

The assumptions above are covered in more detail in Appendix E to this Report.

Sensitivity analysis and conclusion

In view of the impact on the valuation of certain assumptions detailed above, we undertook a sensitivity analysis by varying assumptions relating to the growth rate used to calculate the terminal value and the discount rate. These were both adjusted by +/- 3%.

Based on the sensitivity analysis, we have assessed the value of Papyrus Egypt's cash flows to be in the range of $2,907,572 to $3,807,572 with a midpoint of $3,357,572 (based on the 31 March 2024 exchange rate of 1 Egyptian pound = 0.032 Australian dollars).

9.2.2 Assessment of the equity value of Papyrus Egypt

To determine the estimated equity value of Papyrus Egypt, the value of other assets and liabilities of Papyrus Egypt are added to the assessed value of Papyrus Egypt's cash flows. Assessing the value of the other assets and liabilities of Papyrus Egypt as at 31 March 2024 involved the following steps:

- Management provided us with Papyrus Egypt's balance sheet as at 29 February 2024 and confirmed that there were no material changes as at 31 March 2024;
- the book value of the property, plant and equipment ('PP&E'), of EGP24,195,142, was deducted as the value of the PP&E is already reflected in the assessed value of Papyrus Egypt's cash flows; and
- the estimated value of the other assets and liabilities was converted to Australian dollars based on the 31 March 2024 exchange rate.

Our estimated value of the other assets and liabilities of Papyrus Egypt is as follows:

In EGPs	As at 29 Feb 2024	PP&E adjustment	Adjusted position
Current assets			
Cash and cash equivalents	1,081,620	-	1,081,620
Trade and other receivables	291,882	-	291,882
Inventories	528,528	-	528,528
Other current assets	46,261	-	46,261
Total current assets	**1,948,291**	**-**	**1,948,291**
Non-current assets			
Property, plant and equipment	24,195,142	(24,195,142)	-
Total non-current assets	**24,195,142**	**(24,195,142)**	**-**
Total assets	**26,143,433**	**(24,195,142)**	**1,948,291**
Current liabilities			
Trade and other payables	21,114,442	-	21,114,442
Total current liabilities	**21,114,442**	**-**	**21,114,442**
Net assets/(liabilities)	**5,028,991**	**(24,195,142)**	**(19,166,151)**
A$s per EGP exchange rate on 31 March 2024			0.032
Adjusted other assets and liabilities in A$s			**(619,497)**

Source: Papyrus Australia and NPCF analysis

9.2.3 Discount for lack of control

The discounted cash flow methodology assesses value on a control basis. Whilst Papyrus Australia currently has a direct and indirect shareholding in Papyrus Egypt of 69.61%, prior to the Proposed Transaction Papyrus Australia has a 50% voting share in Papyrus Egypt and EBFC has the other 50% voting share. Therefore, as Papyrus Australia has joint control of Papyrus Egypt (which was the basis for Papyrus Australia's auditors accounting for the investment in Papyrus Egypt using the equity method), we have applied a discount for lack of control in the range of 17% to 20%. We based the discount on the inverse of the average control premium that was paid over the last 10 years for a group of comparable paper and plastic packaging companies we identified.

9.2.4 Assessment of the value of the other assets and liabilities of Papyrus Australia

Assessing the value of the other assets and liabilities of Papyrus Australia as at 31 March 2024 involved the following steps:

- deducting the book value as at 31 December 2023 of the Papyrus Australia's investment in Papyrus Egypt accounted for using the equity method of $973,147; and
- adjusting the other assets and liabilities to reflect changes between 31 December 2023 and 29 February 2024. Management confirmed that there were no material changes to the other assets and liabilities as at 31 March 2024.

Our estimated value of the other assets and liabilities of Papyrus Australia is as follows:

In A$s	Reviewed 31 Dec 2023	Investments adjustment	Adjusted position
Current assets			
Cash and cash equivalents	324,997	-	324,997
Trade and other receivables	1,359,270	-	1,359,270
Prepayments	28,822	-	28,822
Total current assets	**1,713,089**	**-**	**1,713,089**
Non-current assets			
Property, plant and equipment	6,047	-	6,047
Investments accounted for using the equity method	973,147	(973,147)	-
Total non-current assets	**979,194**	**(973,147)**	**6,047**
Total assets	**2,692,283**	**(973,147)**	**1,719,136**
Current liabilities			
Trade and other payables	145,283	-	145,283
Total current liabilities	**145,283**	**-**	**145,283**
Non-current liabilities			
Other non-current liabilities	-	-	-
Total non-current liabilities	-	-	-
Total liabilities	**145,283**	**-**	**145,283**
Net assets/(liabilities)	**2,547,000**	**(973,147)**	**1,573,853**
Net assets adjustment to 29 February 2024			(154,759)
Adjusted other assets and liabilities			**1,419,094**

Source: Papyrus Australia and NPCF analysis

9.3 Value per Papyrus Australia share on a control basis using the quoted market price methodology

Under our secondary approach, to value a share of Papyrus Australia on a control basis before the Proposed Transaction, we assessed the value of a Papyrus Australia share using the quoted market price methodology. Trading history analysis of the quoted market price of a security provides a reliable measure of the fair market value of the securities of a company if, in an efficient and liquid market, it reflects all publicly available information.

As detailed below, we assessed the quoted market price for Papyrus Australia shares by analysing the VWAP of Papyrus Australia shares over various periods during the 365 days to 23 January 2024, which was the last full trading day prior to the announcement of Proposed Transaction (as a trading halt was made on 24 January 2024 ahead of the announcement of the Proposed Transaction on 29 January 2024).

Period to 23 Jan 2024	Share Price Low	Share Price High	Cumulative Volume Traded	VWAP	Shares Traded as % of Capital	Shares Traded % Per Week
1 day	$0.016	$0.016	35,000	$0.0160	0.01%	0.04%
7 days	$0.015	$0.016	361,838	$0.0153	0.07%	0.05%
30 days	$0.015	$0.020	2,863,792	$0.0179	0.58%	0.10%
60 days	$0.015	$0.022	9,272,954	$0.0183	1.88%	0.16%
90 days	$0.015	$0.024	12,160,700	$0.0191	2.47%	0.14%
180 days	$0.015	$0.030	23,267,190	$0.0215	4.73%	0.13%
365 days	$0.015	$0.040	45,381,207	$0.0255	9.35%	0.13%

Source: ASX, Yahoo! Finance and NPCF analysis

The table above shows that the VWAP of Papyrus Australia has trended down over the past year. The average number of Papyrus Australia shares traded per week as a percentage of capital ranged from 0.05% to 0.16% over the various periods in the 12-month period. The low percentage of Papyrus Australia shares traded per week suggests that there is generally low liquidity in Papyrus Australia shares.

Using the trading for last two months for the assessed quoted market price, Papyrus Australia's share price has traded in the range of $0.015 and $0.022, with 7-day and 60-day VWAPs of $0.0153 and $0.0183, respectively. Under the quoted market price methodology, the value of a Papyrus Australia share is assessed to be between $0.0153 and $0.0183 on a minority basis.

As quoted market prices of securities used in the trading history analysis usually reflect a minority interest value of a security, a control premium should be applied for the comparison to our assessed value per Papyrus Australia share on a control basis before the Proposed Transaction using the sum-of-parts methodology.

Including a control premium range of 20% to 25%, assessed based on premiums paid by acquirers of listed paper and plastic packaging companies over the last 10 years, the value of a Papyrus Australia share on a control basis before the Proposed Transaction using the quoted market price methodology is between $0.0184 and $0.0228 with a midpoint of $0.0206.

9.4 Assessment of the value per Papyrus Australia share before the Proposed Transaction

The table below summarises our assessment of the value per Papyrus Australia share on a control basis using the sum-of-parts as the primary approach and quoted market price as a secondary approach.

	Ref	Low	Preferred	High
Value per Papyrus Australia share using the sum-of-parts methodology	9.2	$0.0056	$0.0061	$0.0065
Value per Papyrus Australia share using the quoted market price methodology	9.3	$0.0184	$0.0206	$0.0228

Source: NPCF analysis

Our assessed range for the value of a Papyrus Australia share using the sum-of-parts methodology is significantly lower than the range using the quoted market price methodology. The difference in values obtained from the two approaches may be due to the following:

- investors' perceived value of Papyrus Egypt and its business may differ from our valuation opinion as investors may not necessarily have the same access to both private and public information that we had access to;
- investors' perception of the business of Papyrus Egypt may have incorporated different views of the prospects of the business, outlook on Egypt's economy, market demand for the company's products and the potential returns from them;
- investors may not have fully reflected the market risk of the Egyptian economy as we note that despite the substantial devaluation of the Egyptian currency in early March 2024, the share price of Papyrus Australia did not change significantly; and
- low liquidity in the trading of Papyrus Australia shares (an absence of a sufficiently active trading market) may suggest that the share price may not reflect a fair market value of Papyrus Australia's shares.

Having considered all of the above, we assessed that the value of a Papyrus Australia share obtained under the sum-of-parts methodology, in our view, is more reflective of its fundamental value. Therefore, we have relied on our primary valuation approach to conclude on the value of a Papyrus Australia share on a control basis before the Proposed Transaction.

Therefore, we consider the value per Papyrus Australia share to be between $0.0056 and $0.0065 with a preferred value of $0.0061.

10. VALUE OF A PAPYRUS AUSTRALIA SHARE AFTER THE PROPOSED TRANSACTION

In determining the fair value of a Papyrus Australia share on a minority basis after the Proposed Transaction, the sum-of-parts assessment detailed in section 9.2 has been amended to reflect that Papyrus Australia has 100% ownership of Papyrus Egypt and the issuance of 86,945,752 Papyrus Australia shares to Newco. For this assessment, the equity value of Papyrus Egypt using the discounted cash flow methodology, the adjustment for other assets and liabilities of Papyrus Egypt, and the value of Papyrus Australia's other assets and liabilities are unchanged from section 9.2.

As the sum-of-parts approach assesses value on a controlling basis, as required by RG 111, we applied a minority discount to arrive at the value of a Papyrus Australia share on a minority basis after the Proposed Transaction.

10.1 Value per Papyrus Australia share after the Proposed Transaction

The value of a Papyrus Australia share on a minority basis after the Proposed Transaction is set out below:

	Ref	Low	Preferred	High
Value per Papyrus Australia share on a minority basis after the Proposed Transaction	10.2	$0.0053	$0.0059	$0.0064

Source: NPCF analysis

The following sections set out the basis upon which we have arrived at our valuation.

10.2 Value per Papyrus Australia share on a minority basis using the sum-of-parts methodology

We assessed the value of Papyrus Australia after the Proposed Transaction by aggregating a 100% shareholding of the equity value of Papyrus Egypt with the value of Papyrus Australia's net assets excluding the book value of its investment in Papyrus Egypt. To assess the value per Papyrus Australia share after the Proposed Transaction we used the aggregate of Papyrus Australia shares outstanding before the Proposed Transaction and the Papyrus Australia shares issued to Newco.

Our estimated of the value of a Papyrus Australia share after the Proposed Transaction is summarised as follows:

In A$s	Ref	Low	Preferred	High
Equity value of Papyrus Egypt on a control basis	9.2	2,288,075	2,738,075	3,188,075
Papyrus Australia's 100% share of equity value of Papyrus Egypt		**2,288,075**	**2,738,075**	**3,188,075**
Discount for lack of control		0%	0%	0%
Papyrus Australia's 100% share of equity value of Papyrus Egypt after discount		**2,288,075**	**2,738,075**	**3,188,075**
Papyrus Australia net assets excluding investment in Papyrus Egypt	9.2.4	1,419,094	1,419,094	1,419,094
Papyrus Australia net assets including investment in Papyrus Egypt		**3,707,169**	**4,157,169**	**4,607,169**
Number of Papyrus Australia shares outstanding				
Total number of Papyrus Australia shares outstanding before the Proposed Transaction	1.2	492,692,593	492,692,593	492,692,593
Papyrus Australia shares issued to Newco	1.2	86,945,752	86,945,752	86,945,752
Total number of Papyrus Australia shares outstanding after the Proposed Transaction		**579,638,345**	**579,638,345**	**579,638,345**
Value per Papyrus Australia share on a control basis after the Proposed Transaction		**$0.0064**	**$0.0072**	**$0.0079**
Minority discount	10.2.1	17%	18%	20%
Value per Papyrus Australia share on a minority basis after the Proposed Transaction		**$0.0053**	**$0.0059**	**$0.0064**

Source: NPCF analysis

10.2.1 Minority discount

As the value of a Papyrus Australia share after the Proposed Transaction is being assessed on a minority basis we have applied a 17% to 20% minority discount. We based the minority discount on the inverse of the average control premium that was paid over the last 10 years for a group of comparable paper and plastic packaging companies we identified.

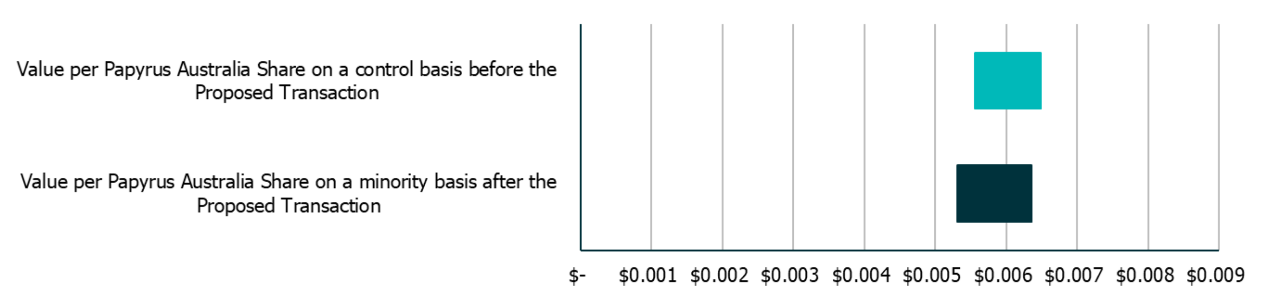
11. ASSESSMENT OF FAIRNESS OF THE PROPOSED TRANSACTION

In determining whether or not the Proposed Transaction is fair to Shareholders, we have compared the fair value of a Papyrus Australia share on a control basis before the Proposed Transaction to the fair value of a Papyrus Australia share on a minority basis after the Proposed Transaction. This is summarised as follows.

	Ref	Low	Preferred	High
Value per Papyrus Australia share on a control basis before the Proposed Transaction	9.1	\$0.0056	\$0.0061	\$0.0065
Value per Papyrus Australia share on a minority basis after the Proposed Transaction	10.1	\$0.0053	\$0.0059	\$0.0064

Source: NPCF analysis

Assessment of Fairness of the Proposed Transaction



Source: NPCF analysis

The analysis shows that the fair value of a Papyrus Australia share on a minority basis after the Proposed Transaction is lower than the fair value of a Papyrus Australia share on a control basis before the Proposed Transaction. Therefore, **we have concluded that the Proposed Transaction is not fair to Shareholders.**

12. ASSESSMENT OF REASONABLENESS OF THE PROPOSED TRANSACTION

12.1 Approach to assessing Reasonableness

In forming our conclusions in this Report, we have considered the advantages and disadvantages of the Proposed Transaction, as well as the consequences of Shareholders not approving the Proposed Transaction.

12.2 Advantages of the Proposed Transaction

We consider the following advantages for Shareholders to approve the Proposed Transaction.

12.2.1 <u>The ability to recognise Papyrus Egypt's revenue, profit and net assets at the Papyrus Australia level through consolidated financials</u>

Currently, as Papyrus Australia does not have control over Papyrus Egypt, its investment in Papyrus Egypt is accounted for using the equity method in accordance with AASB 128 Investments in Associates and Joint Ventures, and reported under share of net profits of associate and joint venture. Following the Proposed Transaction, Papyrus Australia will hold 100% of Papyrus Egypt and will be able to fully consolidate Papyrus Egypt's profit and loss, and balance sheet.

Historically, Papyrus Australia has been a non-revenue generating entity, which may have had an impact on investors' sentiment towards the Company. Following the Proposed Transaction, Papyrus Australia will be able to start reporting revenues and once Papyrus Egypt's operations ramp-up, the Company may be more favourably viewed by existing and new investors.

The consolidation of Papyrus Egypt's balance sheet into Papyrus Australia's financial statements after the Proposed Transaction will strengthen the Company's balance sheet which may potentially improve Papyrus Australia's ability to raise debt in the future at more attractive terms.

12.2.2 The Proposed Transaction gives Papyrus Australia full control of the strategic objectives and operational direction of Papyrus Egypt, and will better align interests between Papyrus Egypt and Papyrus Australia's board, management and shareholders

The Papyrus Egypt is currently controlled on the basis of Papyrus Australia and the EBFC each having 50% voting rights. Therefore, despite Papyrus Australia currently having a direct and indirect aggregate shareholding in Papyrus Egypt of 69.61%, the board of Papyrus Australia does not control the activities of Papyrus Egypt.

On completion of the Proposed Transaction, Papyrus Australia will own 100% of Papyrus Egypt and have full control over Papyrus Egypt. This will ensure that Papyrus Egypt's strategic objectives and operational direction are aligned with those of Papyrus Australia. This alignment is key as Papyrus Egypt enters a critical period of ramping up of production as well as exploring business development opportunities both domestically and internationally.

12.2.3 Consolidation of operational resources between Papyrus Australia and Papyrus Egypt, and incorporation of intellectual property development and technological improvement within Papyrus Australia

Currently, Papyrus Australia's operations are through the Papyrus Egypt joint venture, which utilises the plantation waste processing technology developed by Papyrus Australia. On completion of the Proposed Transaction, Papyrus Australia will have full ownership of the operations and assets of Papyrus Egypt.

Also, to extent a joint venture structure has the potential to create ambiguity regarding ownership of current and future intellectual property, the Proposed Transaction removes this risk.

Overall, the consolidation of operational resources and having direct and complete ownership of the intellectual property within Papyrus Australia opens up opportunities for cost synergies, operational efficiencies and alignment, as well as direct control over the intellectual property upon which the business relies on.

12.2.4 The Proposed Transaction will be completed as a share swap, therefore no cash outlay is required

The Proposed Transaction will be completed by way of a share swap whereby the Company will issue 86,945,752 ordinary fully paid Papyrus Australia shares to Newco, an entity incorporated by EBFC's shareholders, other than PPYM, and EBFC will transfer all of its shares in Papyrus Egypt to PPYM.

As there is no cash consideration involved in the Proposed Transaction, there will be no cash outlay required for Papyrus Australia to achieve 100% ownership of Papyrus Egypt. Accordingly, the Company will be able to conserve its cash for the continued ramp up of operations in Egypt as well as other business development opportunities.

12.2.5 Potential to increase liquidity of Papyrus Australia shares

The acquisition of EBFC's interest in Papyrus Egypt will involve the issue of new Papyrus Australia shares to the shareholders of Newco. On completion, the number of Papyrus Australia's issued ordinary shares will increase from 492,692,593 to 579,638,345 (based on 86,945,752 new shares being issued). After the expiry of the 12 month escrow period and depending on the subsequent level of trading, the additional Papyrus Australia shares may provide an opportunity to increase market liquidity in Papyrus Australia shares.

12.3 Disadvantages of the Proposed Transaction

12.3.1 The Proposed Transaction is not fair

We have concluded in section 11 that the Proposed Transaction is not fair.

However, we note that the value per Papyrus Australia share after the Proposed Transaction (on a minority basis) is only marginally lower than the value per Papyrus Australia share before the Proposed Transaction (on a control basis). If the value per Papyrus Australia share after the Proposed Transaction was valued on a control basis, our analysis shows that the Proposed Transaction is value accretive since, under that scenario, the value per Papyrus Australia share after the Proposed Transaction (on a control basis) is calculated to be between $0.0064 and $0.0079 with a midpoint of $0.0072, which is higher than the value per Papyrus Australia share before the Proposed Transaction (on a control basis).

12.3.2 Dilution of Papyrus Australia's shareholders' interests

The Proposed Transaction will result in the shareholding interests of Papyrus Australia's current shareholders being diluted from 100% to 85%.

	Number of shares	% Total
Before the Proposed Transaction	492,692,593	85.00%
Papyrus Australia shares issued to Newco	86,945,752	15.00%
After the Proposed Transaction	**579,638,345**	**100.00%**

Source: Papyrus Australia and NPCF analysis

12.3.3 There is no guarantee that Papyrus Australia's shares will increase in liquidity due to the expanded share capital following the Proposed Transaction

Whilst the number of Papyrus Australia's issued ordinary shares will increase from 492,692,593 to 579,638,345 (based on 86,945,752 new shares being issued), there is no guarantee that Papyrus Australia's shares will increase in liquidity due to the expanded share capital following the Proposed Transaction.

12.4 Consequences of not approving the Proposed Transaction

In the event that the resolution is not passed, the resolution will not take effect and the proposed share swap described in section 1.1 will not be completed pursuant to the Notice of Meeting.

After taking into account other significant factors, and in the absence of a more superior alternative offer, **we have concluded that the Proposed Transaction is reasonable.**

13. OPINION

In our opinion, the Proposed Transaction is not fair but reasonable to Shareholders.

The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of General Meeting, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

APPENDIX A – GLOSSARY

Term	Definition
AASB	Australian Accounting Standard Board
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services Licence
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australia Securities and Investment Commission
ASX	Australian Securities Exchange
ASX Listing Rule 10.1	ASX Listing Rule 10.1 of Chapter 10 'Transactions with persons in a position of influence'
ASX Listing Rule 10.11	ASX Listing Rule 10.11 of Chapter 10 'Transactions with persons in a position of influence'
Business Plan	Papyrus Egypt's five-year business plan covering the period from the financial year ending 30 June 2024 to the financial year ending 30 June 2028
Client or Company	Papyrus Australia Limited (ACN: 110 868 409)
Corporations Act	Corporations Act 2001 (Cth)
EBFC	Egyptian Banana Fibre Company (ECN: 46751)
FSG	Financial Services Guide
FY 2021	The financial year ended 30 June 2021
FY 2022	The financial year ended 30 June 2022
FY 2023	The financial year ended 30 June 2023
Group	Papyrus Australia Ltd and its subsidiaries
HY 2024	The half-year ended 31 December 2023
KAM	Key audit matter
MP Moulding Line	The moulding facility to be operated by the Egyptian Government's Ministry of Military Production
Notice of Meeting or Document	The Notice of General Meeting & Explanatory Memorandum sent to shareholders on or about the date of this Report in which this Report is included
Newco	The new company incorporated by Egyptian Banana Fibre Company's shareholders, other than PPYM, to hold their Papyrus Australia shares as contemplated in the Proposed Transaction
Nexia entities	Related entities within the Nexia Perth Group
Nexia Perth Group	Nexia Perth Pty Ltd group entities
NPCF	Nexia Perth Corporate Finance Pty Ltd (AFSL 289358)
Papyrus Australia	Papyrus Australia Limited (ACN: 110 868 409)
Papyrus Egypt	Papyrus Egypt LLC (CRN: 27 809 292 102 441)
PP&E	Property, plant and equipment
PPYM	PPY Manufacturing Pty Ltd (ACN: 133 917 101)
Proposed Transaction	The acquisition of the remaining interest in Papyrus Egypt that Papyrus Australia does not already own, either directly or indirectly, so that it will result in Papyrus Australia obtaining 100% ownership of Papyrus Egypt after the transaction
R&D	Research and development
Report	Independent Expert's Report
RG 74	ASIC Regulatory Guide 74: Acquisitions approved by members
RG 76	ASIC Regulatory Guide 76: Related party transactions
RG 111	ASIC Regulatory Guide 111: Content of expert reports
RG 112	ASIC Regulatory Guide 112: Independence of experts
Shareholders	The non-associated shareholders of Papyrus Australia Limited
SSPA	Share sale and purchase agreement dated 23 January 2024 between Papyrus Australia Limited, PPY Manufacturing Pty Ltd, Egyptian Banana Fibre Company and Papyrus Egypt LLC
VWAP	Volume weighted average price

APPENDIX B – SOURCES OF INFORMATION

This Report has been based on the following information:

- Audited financial statements of Papyrus Australia Limited for the years ended 30 June 2021, 30 June 2022 and 30 June 2023;
- Reviewed financial statements of Papyrus Australia Limited for the half-year ended 31 December 2023;
- Unaudited financial statements of Papyrus Egypt LLC for the year ended 30 June 2022 and audited financial statements of Papyrus Egypt LLC for the year ended 30 June 2023;
- Reviewed financial statements of Papyrus Egypt LLC for the half-year ended 31 December 2023;
- Balance sheet of Papyrus Egypt LLC as at 29 February 2024;
- Papyrus Australia Limited's shareholder register and shareholder range report;
- Egyptian Banana Fibre Company's shareholder register;
- Draft Notice of General Meeting and Explanatory Memorandum prepared by Papyrus Australia Limited;
- Share Sale and Purchase Agreement dated 23 January 2024 between Papyrus Australia Ltd, PPY Manufacturing Pty Ltd, Egyptian Banana Fibre Company and Papyrus Egypt LLC;
- Papyrus Egypt's 5 year business plan financials;
- A paper on Papyrus Egypt and agricultural waste;
- Subscription based data from S&P Capital IQ;
- Publicly available information; and
- Discussions with directors and/or management of Papyrus Australia Limited.

APPENDIX C – STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement Nexia Perth Corporate Finance Pty Ltd ('NPCF') determined its independence with respect to Papyrus Australia Limited, Papyrus Egypt LLC and Egyptian Banana Fibre Company with reference to ASIC Regulatory Guide 112: Independence of expert's Reports ('RG 112'). NPCF considers that it meets the requirements of RG 112 and that it is independent of Papyrus Australia Limited, Papyrus Egypt LLC and Egyptian Banana Fibre Company.

Also, in accordance with s648(2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Papyrus Australia Limited, Papyrus Egypt LLC and Egyptian Banana Fibre Company, their related parties or associates that would compromise our impartiality.

Evelyn Tan and Muranda Janse Van Nieuwenhuizen, both Directors and Representatives of NPCF, have prepared this Report. Neither they nor any related entities of NPCF have any interest in the promotion of the Proposed Transaction nor will NPCF receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this Report. Our fee is not contingent upon the success or failure of the Proposed Transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, NPCF does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

NPCF provided a draft copy of this Report to the independent directors and management of Papyrus Australia Limited for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of NPCF alone. Changes made to this Report, as a result of the review by the independent directors and management of Papyrus Australia Limited, have not changed the methodology or conclusions reached by NPCF.

Qualifications

NPCF carries on business at Level 3, 88 William Street, Perth WA 6000. NPCF holds Australian Financial Services Licence No 289358 authorising it to provide financial product advice on securities to retail clients. NPCF's directors and representatives are therefore qualified to provide this Report.

The persons specifically involved in preparing and reviewing this Report were Evelyn Tan and Muranda Janse Van Nieuwenhuizen, both of whom are Directors of NPCF. Evelyn Tan is a CFA® Charterholder, a member of the CFA Institute and a member of the CFA Society Perth. She is also an affiliate member of Chartered Accountants Australia and New Zealand. Evelyn holds a Master of Applied Finance from the University of Melbourne and has over 20 years of combined professional experience in the fields of corporate finance and banking in Australia and Singapore. Muranda Janse Van Nieuwenhuizen is a member of Chartered Accountants Australia and New Zealand as well as the South African Institute of Chartered Accountants. She is also a Registered Company Auditor.

Consent and Disclaimers

The preparation of this Report has been undertaken at the request of the independent directors of Papyrus Australia Limited. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the Report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to Papyrus Australia Limited shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of NPCF's opinion as to whether or not the Proposed Transaction is fair and reasonable to Papyrus Australia Limited shareholders.

NPCF consent to the issue of this Report in the form and context in which it is included in the Notice of General Meeting to be sent to Papyrus Australia Limited shareholders.

Shareholders should read all documents issued by Papyrus Australia Limited that consider the Proposed Transaction in their entirety, prior to proceeding with a decision. NPCF had no involvement in the preparation of these documents, with the exception of our Report.

This Report has been prepared specifically for the non-associated shareholders of Papyrus Australia Limited. Neither NPCF, nor any member or employee thereof undertakes responsibility to any person, other than a shareholder of Papyrus Australia Limited, in respect of this Report, including any errors or omissions howsoever caused. This Report is 'General Advice' and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

APES 225

Our Report has been prepared in accordance with APES 225 Valuation Services.

APPENDIX D – VALUATION METHODOLOGIES

In preparing this Report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- the discounted cash flow method;
- the capitalisation of earnings method;
- asset based methods; and
- analysis of share market trading.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- a forecast of expected future cash flows;
- an appropriate discount rate; and
- an estimate of terminal value.

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under capitalisation of future maintainable earnings below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- early-stage companies or projects;
- limited life assets such as a mine or toll concession;
- companies where significant growth is expected in future cash flows; or
- projects with volatile earnings.

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if reliable forecasts of cash flow are not available and cannot be determined.

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- a level of future maintainable earnings; and
- an appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBIT - in most cases EBIT will be more reliable than EBITDA as it takes account of the capital intensity of the business.

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT value the whole businesses, or its enterprise value irrespective of the gearing structure. NPAT (or P/E) values the equity of a business.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources.

Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX or the NSX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. In Australia this has been called the comparable transaction methodology.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- there are no suitable listed company or transaction benchmarks for comparison;
- the asset has a limited life;
- future earnings or cash flows are expected to be volatile; or
- there are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets.

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset-based methods including:

- orderly realisation;
- liquidation value;
- net assets on a going concern basis;
- replacement cost; and
- reproduction cost.

The orderly realisation of assets method estimates Fair Market Value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame.

Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimate the market values of the net assets of a company but do not take account of realisation costs.

The asset / cost approach is generally used when the value of the business's assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- an enterprise is loss making and is not expected to become profitable in the foreseeable future;
- assets are employed profitably but earn less than the cost of capital;
- a significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments); or
- it is relatively easy to enter the industry (for example, small machine shops and retail establishments).

Asset based methods are not appropriate if:

- the ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets; or
- a business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets.

Analysis of Share Trading

The most recent share trading history provides evidence of the Fair Market Value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

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APPENDIX E – DISCOUNT RATE

The discount rate applied to forecast cash flows reflects the financial return that will be required before an investor would be prepared to acquire (or invest in) the business. The capital asset pricing model ('CAPM') is commonly used in determining the market rates of return for equity type investments and project evaluations. CAPM provides the required return on an equity investment. The weighted average cost of capital ('WACC') is commonly used in determining the market rates of return to both debt and equity holders.

Weighted average cost of capital (WACC)

The weighted average cost of capital represents the blended cost of each type of capital – most commonly debt and equity – weighted by each of their percentages and then added together. WACC is calculated by:

WACC	
WACC = Ke * (E/(D+E)) + Kd * (1-t) * (D/(D+E)) where:	
Ke = cost of equity	E/(D+E) = percentage of capital that is equity
Kd = cost of debt	D/(D+E) = percentage of capital that is debt
E = value of the firm's equity	t = corporate tax rate
D = value of the firm's debt	

Cost of equity (Ke)

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk-free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk. CAPM calculates the cost of equity as follows:

CAPM	
Ke = Rf + ß (Rm - Rf) + α where:	
Ke = cost of equity	Rm = expected market return
Rf = risk-free rate	Rm - Rf = market risk premium
ß = beta of the security (geared)	α = alpha based on company specific risk

The individual components of CAPM are discussed as follows.

<u>Risk-free rate (Rf)</u>

The risk-free rate is normally approximated by reference to a long-term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. The risk-free rate is usually chosen as one that is on, or if not on, closest to but before, the valuation date. As Papyrus Egypt's forecast cash flows are denominated in Egyptian pounds, we have used the yield on 10-year Egyptian government debt as our risk-free rate. As at 31 March 2024, the yield on 10-year Egyptian government debt was 30%.

<u>Market risk premium (Rm – Rf)</u>

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets versus the risk-free return. It is common to use a historical risk premium, as expectations are not observable in practice. Based on publicly available research on market risk premiums by country, we have adopted an Egyptian equity market risk premium in the range of 14.5% to 16.5%, with a midpoint of 15.5%.

<u>Beta</u>

Beta is a measure of the expected correlation of an investment's return over and above the risk-free rate, relative to the return over and above the risk-free rate of the market as a whole. A beta greater than one

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implies that an investment's return will outperform the market's average return in a bullish market and underperform the market's average return in a bearish market. On the other hand, a beta less than one implies that the business will underperform the market's average return in a bullish market and outperform the market's average return in a bearish market.

Betas are normally either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future and is hence derived from historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors which make the operating risk of the company greater or less risky than comparable listed companies.

To determine an appropriate beta for Papyrus Egypt's cost of equity we considered the 2-year, 3-year and 5-year betas of comparable companies. Due to a limit data set of Egyptian-based comparable companies, we considered the betas of Australian, US and European companies, as set out in the following tables. To make betas of different companies comparable we obtained the asset beta (βa) by 'ungearing' the equity beta (β) using the following formula: βa = β / (1 + (D/E) x (1-t)).

Company name	Market cap	Debt	Equity	2-year beta	R^2	Ungeared beta
Australia	In A$s	In A$s	In A$s			
SECOS Group Limited	20.9	1.4	20.2	1.50	10.7%	1.43
Orora Limited	3,643.2	2,291.3	2,032.6	0.72	10.9%	0.40
Pact Group Holdings Ltd	294.4	1,022.1	463.1	1.06	9.5%	0.42
Amcor Plc	21,028.3	11,705.5	6,165.0	0.46	12.6%	0.20
Papyrus Australia Limited	5.9	-	2.5	1.23	4.3%	1.23
Australia median (with R^2 > 5%)						**0.41**
Australia mean (with R^2 > 5%)						**0.61**
US	In US$s	In US$s	In US$s			
Clearwater Paper Corporation	724.2	527.2	668.8	0.44	4.5%	0.27
Graphic Packaging Holding Company	8,930.6	5,624.0	2,782.0	0.81	29.3%	0.31
Packaging Corporation of America	16,881.4	3,173.2	3,997.3	0.82	31.0%	0.50
SGD Holdings, Ltd.	0.6	1.1	1.1	1.31	3.4%	0.74
Sonoco Products Company	5,682.9	3,403.3	2,431.8	0.92	45.6%	0.44
WestRock Company	12,707.0	9,371.1	10,164.6	1.13	32.6%	0.65
Amcor Plc	13,735.7	7,646.0	4,027.0	0.70	37.8%	0.28
US median (with R^2 > 5%)						**0.44**
US mean (with R^2 > 5%)						**0.44**
Europe	Local curr.	Local curr.	Local curr.			
Billerud AB (publ) (in SKr)	23,865.9	7,578.0	26,945.0	0.92	23.5%	0.75
CPH Chemie + Papier Holding AG (in SFr)	526.4	0.7	436.3	0.22	3.7%	0.22
DS Smith Plc (in £)	5,460.4	2,931.0	4,025.0	1.15	34.4%	0.74
Elopak ASA (in NKr)	9,144.4	345.3	315.3	0.31	2.9%	0.17
Flexopack SA Comm & Ind Plastics Co. (in €)	95.4	41.3	114.0	0.08	0.2%	0.06
Gascogne SA (in €)	84.7	151.9	193.6	0.38	5.1%	0.24
Huhtamäki Oyj (in €)	4,067.9	1,654.0	1,924.9	0.62	18.2%	0.37
Mayr-Melnhof Karton AG (in €)	2,308.0	1,797.7	1,981.4	0.88	36.8%	0.52
Mondi Plc (in £)	6,152.0	2,023.0	6,096.0	0.94	27.4%	0.76
Robinson Plc (in £)	16.3	9.9	25.6	0.03	0.1%	0.02
SIG Group AG (in SFr)	7,644.6	2,451.8	3,097.1	0.81	24.3%	0.49
Smurfit Kappa Group Plc (in €)	10,955.9	3,745.0	5,574.0	1.32	43.8%	0.83
Stora Enso Oyj (in €)	10,172.8	5,208.0	10,888.0	1.06	30.3%	0.77
Europe median (with R^2 > 5%)						**0.74**
Europe mean (with R^2 > 5%)						**0.61**

Source: Capital IQ, NPCF's analysis

Company name	Market cap	Debt	Equity	3-year beta	R^2	Ungeared beta
Australia	In A$s	In A$s	In A$s			
SECOS Group Limited	20.9	1.4	20.2	1.44	10.0%	1.36
Orora Limited	3,643.2	2,291.3	2,032.6	0.68	10.2%	0.38
Pact Group Holdings Ltd	294.4	1,022.1	463.1	0.95	7.6%	0.37
Amcor Plc	21,028.3	11,705.5	6,165.0	0.41	8.7%	0.18
Papyrus Australia Limited	5.9	-	2.5	1.06	2.9%	1.06
Australia median (with R^2 > 5%)						**0.38**
Australia mean (with R^2 > 5%)						**0.57**
US	In US$s	In US$s	In US$s			
Clearwater Paper Corporation	724.2	527.2	668.8	0.43	3.8%	0.26
Graphic Packaging Holding Company	8,930.6	5,624.0	2,782.0	0.77	23.7%	0.30
Packaging Corporation of America	16,881.4	3,173.2	3,997.3	0.72	23.7%	0.44
SGD Holdings, Ltd.	0.6	1.1	1.1	1.30	3.0%	0.74
Sonoco Products Company	5,682.9	3,403.3	2,431.8	0.83	36.2%	0.39
WestRock Company	12,707.0	9,371.1	10,164.6	1.05	28.2%	0.61
Amcor Plc	13,735.7	7,646.0	4,027.0	0.69	32.6%	0.28
US median (with R^2 > 5%)						**0.39**
US mean (with R^2 > 5%)						**0.40**
Europe	Local curr.	Local curr.	Local curr.			
Billerud AB (publ) (in SKr)	23,865.9	7,578.0	26,945.0	0.87	21.9%	0.71
CPH Chemie + Papier Holding AG (in SFr)	526.4	0.7	436.3	0.23	2.9%	0.23
DS Smith Plc (in £)	5,460.4	2,931.0	4,025.0	1.17	36.3%	0.76
Elopak ASA (in NKr)	9,144.4	345.3	315.3	0.46	5.2%	0.25
Flexopack SA Comm & Ind Plastics Co. (in €)	95.4	41.3	114.0	0.13	0.7%	0.10
Gascogne SA (in €)	84.7	151.9	193.6	0.45	4.5%	0.28
Huhtamäki Oyj (in €)	4,067.9	1,654.0	1,924.9	0.74	22.0%	0.44
Mayr-Melnhof Karton AG (in €)	2,308.0	1,797.7	1,981.4	0.87	34.8%	0.51
Mondi Plc (in £)	6,152.0	2,023.0	6,096.0	1.11	33.5%	0.89
Robinson Plc (in £)	16.3	9.9	25.6	-0.13	0.6%	-0.10
SIG Group AG (in SFr)	7,644.6	2,451.8	3,097.1	0.78	22.1%	0.48
Smurfit Kappa Group Plc (in €)	10,955.9	3,745.0	5,574.0	1.32	43.7%	0.83
Stora Enso Oyj (in €)	10,172.8	5,208.0	10,888.0	1.09	30.6%	0.79
Europe median (with R^2 > 5%)						**0.71**
Europe mean (with R^2 > 5%)						**0.63**

Source: Capital IQ, NPCF's analysis

Company name	Market cap	Debt	Equity	5-year beta	R^2	Ungeared beta
Australia	In A$s	In A$s	In A$s			
SECOS Group Limited	20.9	1.4	20.2	1.01	4.1%	0.96
Orora Limited	3,643.2	2,291.3	2,032.6	0.55	10.4%	0.31
Pact Group Holdings Ltd	294.4	1,022.1	463.1	1.24	19.1%	0.49
Amcor Plc	21,028.3	11,705.5	6,165.0	0.57	16.5%	0.24
Papyrus Australia Limited	5.9	-	2.5	1.56	3.2%	1.56
Australia median (with R^2 > 5%)						**0.31**
Australia mean (with R^2 > 5%)						**0.35**
US	In US$s	In US$s	In US$s			
Clearwater Paper Corporation	724.2	527.2	668.8	0.72	7.9%	0.45
Graphic Packaging Holding Company	8,930.6	5,624.0	2,782.0	0.97	43.0%	0.37
Packaging Corporation of America	16,881.4	3,173.2	3,997.3	0.71	26.8%	0.44
SGD Holdings, Ltd.	0.6	1.1	1.1	1.26	3.6%	0.71
Sonoco Products Company	5,682.9	3,403.3	2,431.8	0.88	46.0%	0.42
WestRock Company	12,707.0	9,371.1	10,164.6	1.15	33.0%	0.67
Amcor Plc	13,735.7	7,646.0	4,027.0	0.79	33.9%	0.32
US median (with R^2 > 5%)						**0.43**
US mean (with R^2 > 5%)						**0.44**
Europe	Local curr.	Local curr.	Local curr.			
Billerud AB (publ) (in SKr)	23,865.9	7,578.0	26,945.0	0.65	20.7%	0.54
CPH Chemie + Papier Holding AG (in SFr)	526.4	0.7	436.3	0.35	10.7%	0.35
DS Smith Plc (in £)	5,460.4	2,931.0	4,025.0	1.07	42.8%	0.69
Elopak ASA (in NKr)	9,144.4	345.3	315.3	0.46	5.2%	0.25
Flexopack SA Comm & Ind Plastics Co. (in €)	95.4	41.3	114.0	0.26	3.8%	0.20
Gascogne SA (in €)	84.7	151.9	193.6	0.30	3.0%	0.19
Huhtamäki Oyj (in €)	4,067.9	1,654.0	1,924.9	0.78	31.6%	0.47
Mayr-Melnhof Karton AG (in €)	2,308.0	1,797.7	1,981.4	0.66	32.8%	0.39
Mondi Plc (in £)	6,152.0	2,023.0	6,096.0	1.02	43.8%	0.82
Robinson Plc (in £)	16.3	9.9	25.6	0.42	5.0%	0.33
SIG Group AG (in SFr)	7,644.6	2,451.8	3,097.1	0.48	13.5%	0.30
Smurfit Kappa Group Plc (in €)	10,955.9	3,745.0	5,574.0	1.03	43.9%	0.65
Stora Enso Oyj (in €)	10,172.8	5,208.0	10,888.0	1.01	39.0%	0.73
Europe median (with R^2 > 5%)						**0.50**
Europe mean (with R^2 > 5%)						**0.52**

Source: Capital IQ, NPCF's analysis

In selecting an appropriate beta, we have considered the similarities and differences between the comparable companies listed above, the stability of the betas and their R-squared (R^2). R-squared is a measure of the percentage of an asset's performance as a result of a benchmark. Therefore, the R-squared of the beta measures how reliable the beta is. We set an R-squared threshold of 5% so that those betas with R-squared lower than 5% were excluded from the median and mean beta calculations.

Based on the mean and median 2-year, 3-year and 5-year betas of a group of listed companies in the packaging products and paper products sectors, we estimated the ungeared beta to be in the range of 0.45 to 0.55 with a midpoint of 0.50.

To derive a geared beta to be used in the calculation of Papyrus Egypt's cost of equity, we re-gear our assessed ungeared beta range using the following formula: $\beta = \beta a * (1 + (D/E) \times (1-t))$. To estimate an appropriate gearing ratio (D/E) we considered the gearing ratios of the comparable companies selected above.

Company name	Market capitalisation	Gearing D/E
Australia	In A$s	
SECOS Group Limited	20.9	6.9%
Orora Limited	3,643.2	112.7%
Pact Group Holdings Ltd	294.4	220.7%
Papyrus Australia Limited	5.9	0.0%
US	In US$s	
Clearwater Paper Corporation	724.2	78.8%
Graphic Packaging Holding Company	8,930.6	202.2%
Packaging Corporation of America	16,881.4	79.4%
SGD Holdings, Ltd.	0.6	97.1%
Sonoco Products Company	5,682.9	139.9%
WestRock Company	12,707.0	92.2%
Amcor Plc	13,735.7	189.9%
Europe	Local curr.	
Billerud AB (publ) (in SKr)	23,865.9	28.1%
CPH Chemie + Papier Holding AG (in SFr)	526.4	0.2%
DS Smith Plc (in £)	5,460.4	72.8%
Elopak ASA (in NKr)	9,144.4	109.5%
Flexopack SA Comm & Ind Plastics Co. (in €)	95.4	36.2%
Gascogne SA (in €)	84.7	78.5%
Huhtamäki Oyj (in €)	4,067.9	85.9%
Mayr-Melnhof Karton AG (in €)	2,308.0	90.7%
Mondi Plc (in £)	6,152.0	33.2%
Robinson Plc (in £)	16.3	38.7%
SIG Group AG (in SFr)	7,644.6	79.2%
Smurfit Kappa Group Plc (in €)	10,955.9	67.2%
Stora Enso Oyj (in €)	10,172.8	47.8%
Median (excluding outliers)		**78.5%**
Mean (excluding outliers)		**65.5%**

Source: Capital IQ, NPCF's analysis

After removing outlier ratios, we have assessed the average gearing ratio of the comparable companies to be 65.5%. Therefore, we have adopted a 65% gearing ratio for Papyrus Egypt. On this basis, the re-geared beta is between 0.68 and 0.83 with a midpoint of 0.75.

As noted above there are limited listed comparable companies available in Egypt. The companies we selected as comparable companies are from Australia, the US and Europe, and as such, some of these are larger in size, more diversified, more marketable (more tradable) and may have dissimilar business models to that of Papyrus Egypt. Whilst we did not make an adjustment to beta to attempt to bridge the gap between their comparability, we made adjustments to the specific risk as captured by alpha as detailed below.

<u>Alpha (α)</u>

Alpha is often used to adjust for specific risk, commonly known as an undiversifiable risk, to a security or an asset. CAPM assumes that, in a highly diversified portfolio, all specific company risks are diversified away and therefore does not include an alpha. However, in a singular asset, specific risk still remains and cannot be diversified away. Alpha is a subjective measure. In this case, we used an alpha in the range of 5% to 7% to reflect the additional risk associated with the size of Papyrus Egypt, and the risk in its operations and financial forecast as the company is in the ramp-up phase.

Cost of debt (Kd) and percentage of capital that is debt

Currently, Papyrus Egypt's capital structure has no external debt, just loans from Papyrus Australia Ltd, Ramy Azer and Heba Nayle. Therefore, we have estimated Papyrus Egypt's cost of debt based on the likely cost of borrowing from an external provider. Our estimated borrowing rate is based on an Egyptian interbank rate plus a credit spread to reflect an assumed credit rating. As at 27 March 2024, the interbank rate for more than a month (published on the Central Bank of Egypt's website) was 27.62%. Assuming a low single-B to high triple-C credit rating, based on market research we applied a credit spread of approximately 7.5%, which results in an estimated cost of debt of 35% and an after tax cost of debt of 27.13% based on a corporate tax rate of 22.5%.

For the level of debt as a percentage of capital we have used the gearing ratio concluded above, of 65%, which implies debt represents 39% of the debt plus equity capital structure.

Weighted average cost of capital (WACC)

As shown below, based on the inputs described above, we have assessed WACC to be in the range of 38.00% to 41.50% with a midpoint of 39.75%:

WACC	Low	Mid	High
Risk-free rate, Rf	30.00%	30.00%	30.00%
Geared beta, ß	0.68	0.75	0.83
Market risk premium, (Rm - Rf)	14.50%	15.50%	16.50%
Specific risk, ɑ	5.00%	6.00%	7.00%
Cost of equity, Ke	**44.81%**	**47.65%**	**50.65%**
Cost of debt, Kd	35.00%	35.00%	35.00%
After tax cost of debt, Kd (1-t)	27.13%	27.13%	27.13%
Cost of equity, Ke	44.81%	47.65%	50.65%
D/(D+E)	39.00%	39.00%	39.00%
E/(D+E)	61.00%	61.00%	61.00%
Weighted average cost of capital	**37.91%**	**39.65%**	**41.47%**
Range selected	**38.00%**	**39.75%**	**41.50%**

Source: NPCF's analysis

Descriptions of the comparable companies are as follows:

Company	Business description
SECOS Group Limited (ASX:SES)	SECOS Group Limited, together with its subsidiaries, develops, manufactures, and sells sustainable packaging materials in Oceanic, Asia, The Americas, Europe, and Africa. The company supplies biodegradable and compostable resins, packaging products, and cast films to blue-chip companies. It manufactures and distributes polyethylene films, renewable resources resins, and other products. SECOS Group Limited is based in Mount Waverley, Australia.
Orora Limited (ASX:ORA)	Orora Limited designs, manufactures, and supplies packaging products and services to the grocery, fast moving consumer goods, and industrial markets in Australia, New Zealand, the United States, and internationally. The company operates through Orora Australasia and Orora North America segments. It also provides glass bottles, aluminium cans, tabs, and ends, closures and caps, boxes and cartons, point-of-purchase displays, packaging equipment, rigid and flexible packaging, and general packaging materials and supplies. In addition, the company purchases, warehouses, sells, and delivers a range of packaging and related materials; sells equipment; manufactures corrugated sheets and boxes; and provides point of purchase retail display solutions and other visual communication services. Further, the company offers printing and signage, research and technology, product sourcing, automation and engineering, design, kitting and fulfilment,

Company	Business description
	logistics, and digital technology services. The company was incorporated in 1949 and is headquartered in Hawthorn, Australia.
Pact Group Holdings Limited (ASX:PGH)	Pact Group Holdings Ltd engages in the manufacture and supply of rigid plastic and metal packaging in Australia, New Zealand, Asia, and internationally. The company operates through Packaging and Sustainability, Materials Handling and Pooling, and Contract Manufacturing Services segments. It offers packaging products for dairy and beverage, bulk packaging, processed food, health and personal care, fresh food, household and industrial, and closures industries; reusable products, such as garment hangers, fresh produce crates, IBC's, and steel drums for supply chain, environmental, infrastructure, and retail accessories applications. The company recycles post-consumer and post-industrial polyethylene terephathale products comprising water and soft drink bottles, bakery trays, and protein trays into recycled food-grade resins; recycles post-consumer and post-industrial high-density polyethylene products consisting of milk, laundry, and shampoo bottles into recycled resin to manufacture milk and dairy containers, personal and homecare bottles, lubricant containers, pipe, and mobile garbage bins. In addition, it recycles post-consumer and post-industrial polypropylene products that include ice cream tubs, yoghurt containers, shopping, and produce crates into recycled resin to manufacture plant pots, paint pails, bread, milk, produce crates, and bins; and recycles pallet, shrink wrap, and shopping bags to manufacture builders' film, silage wrap, dampcourse, garage bags, and other sheet products. Further, the company offers contract manufacturing services for homecare, personal care, cosmetics, automotive, promotional packaging, aerosol and liquid based consumer products, and pharmaceutical and nutraceutical manufacturing services, as well as provides packaging service for coated and uncoated tables, capsules, and powdered products. Pact Group Holdings Ltd was founded in 2002 and is headquartered in Cremorne, Australia.
Amcor Plc (ASX:AMC and NYSE:AMCR)	Amcor plc develops, produces, and sells packaging products in Europe, North America, Latin America, Africa, and the Asia Pacific regions. The company operates through two segments, Flexibles and Rigid Packaging. The Flexibles segment provides flexible and film packaging products in the food and beverage, medical and pharmaceutical, fresh produce, snack food, personal care, and other industries. The Rigid Packaging segment offers rigid containers for various beverage and food products, including carbonated soft drinks, water, juices, sports drinks, milk-based beverages, spirits and beer, sauces, dressings, spreads, and personal care items; and plastic caps for various applications. The company sells its products through its direct sales force. Amcor plc was incorporated in 2018 and is headquartered in Zurich, Switzerland
Clearwater Paper Corporation (NYSE:CLW)	Clearwater Paper Corporation manufactures and supplies bleached paperboards, and consumer and parent roll tissues in the United States and internationally. It operates through Pulp and Paperboard, and Consumer Products segments. The Pulp and Paperboard segment manufactures and markets bleached paperboard; Solid Bleached Sulfate paperboard that is used to produce folding cartons, liquid packaging, cups and plates, blister and carded packaging, and top sheet and commercial printing items; and hardwood and softwood pulp, as well as offers services that include custom sheeting, slitting, and cutting. It sells its products to carton converters, folding carton converters, merchants, and commercial printers. The Consumer Products segment provides a line of at-home tissue products, including bath tissues, paper towels, facial tissues, and napkins; recycled fibre value grade products; and away-from-home tissues. This segment sells its products to retailers, including grocery, club, mass merchants, and discount stores. The company was incorporated in 2005 and is based in Spokane, Washington.
Graphic Packaging Holding Company (NYSE:GPK)	Graphic Packaging Holding Company, together with its subsidiaries, designs, produces, and sells consumer packaging products to brands in food, beverage, foodservice, household, and other consumer products. It operates through three segments: Paperboard Manufacturing, Americas Paperboard Packaging, and Europe Paperboard Packaging. The company offers unbleached, bleached, and recycled paperboard to various paperboard packaging converters and brokers. It also provides paperboard packaging products for consumer packaged goods companies; and cups, lids, and food containers for foodservice companies and quick-service restaurants serving the food, beverage, and consumer product markets, including healthcare and beauty. The company also designs, manufactures, and installs specialized packaging machines. The company

Company	Business description
	sells its products through sales offices, as well as through broker arrangements with third parties in the Americas, Europe, and the Asia Pacific. Graphic Packaging Holding Company was incorporated in 2007 and is headquartered in Atlanta, Georgia.
Packaging Corporation of America (NYSE:PKG)	Packaging Corporation of America manufactures and sells containerboard and corrugated packaging products in the United States. The company operates through three segments: Packaging, Paper, and Corporate and Other. The Packaging segment offers various containerboard and corrugated packaging products, such as conventional shipping containers used to protect and transport manufactured goods; multi-color boxes and displays that help to merchandise the packaged product in retail locations; and honeycomb protective packaging products, as well as packaging for meat, fresh fruit and vegetables, processed food, beverages, and other industrial and consumer products. This segment sells its corrugated products through a direct sales and marketing organization, independent brokers, and distribution partners. The Paper segment manufactures and sells commodity and specialty papers, as well as communication papers, including cut-size office papers, and printing and converting papers. This segment sells white papers through its sales and marketing organization. The Corporate and Other segment includes corporate support staff services and related assets and liabilities; and transportation assets, such as rail cars and trucks for transportation. Packaging Corporation of America was founded in 1867 and is headquartered in Lake Forest, Illinois.
SGD Holdings, Ltd (OTCPK:SGDH)	SGD Holdings, Ltd., through its subsidiary, Eco Paper, Inc., develops, markets, and sells paper and paper products from natural fibres. Its products include journals, paper reams, cover stock, art and sketch pads, envelopes, stationery and gifts, office and school products, and notebooks, as well as paper type products. SGD Holdings, Ltd. is headquartered in Ventura, California.
Sonoco Products Company (NYSE:SON)	Sonoco Products Company, together with its subsidiaries, designs, develops, manufactures, and sells various engineered and sustainable packaging products in North and South America, Europe, Australia, and Asia. The company operates Consumer Packaging and Industrial Paper Packaging segments. The Consumer Packaging segment offers round and shaped rigid paper, steel, and plastic containers; metal and peelable membrane ends, closures, and components; thermoformed plastic trays and enclosures; and high-barrier flexible packaging products. The Industrial Paper Packaging segment provides paperboard tubes, cones, and cores; paper-based protective packaging products; and uncoated recycled paperboard products. It also offers various packaging materials, including plastic, paper, foam, and other specialty materials. Sonoco Products Company sells its products in various markets, which include paper, textile, film, food, packaging, construction, and wire and cable. The company was founded in 1899 and is headquartered in Hartsville, South Carolina.
WestRock Company (NYSE:WRK)	WestRock Company, together with its subsidiaries, provides fibre-based paper and packaging solutions in North America, South America, Europe, Asia, and Australia. It operates through four segments: Corrugated Packaging, Consumer Packaging, Global Paper, and Distribution. The Corrugated Packaging segment produces containerboards, corrugated sheets, corrugated packaging, and preprinted linerboards to consumer and industrial products manufacturers, and corrugated box manufacturers. It also provides structural and graphic design, engineering services and custom, and proprietary and standard automated packaging machines; turn-key installation, automation, line integration, and packaging solutions; machinery solution that creates pouches; and pack temporary displays, as well as lithographic laminated packaging products. The Consumer Packaging segment manufactures and sells folding cartons that are used to package food, paper, beverages, dairy products, confectionery, health and beauty, and other household consumer products, as well as express mail packages for the overnight courier industry. It also offers inserts and labels, as well as rigid packaging and other printed packaging products, such as transaction cards, brochures, product literature, marketing materials, and grower tags, and plant stakes; and paperboard packaging for over-the-counter and prescription drugs. In addition, this segment manufactures and sells solid fibre and corrugated partitions, and die-cut paperboard components. The Global Paper segment manufactures containerboard, paperboard, and specialty grades primarily to corrugated packaging, folding carton, food service, liquid packaging, tobacco, and commercial print markets. The Distribution segment distributes corrugated packaging materials and other

Company	Business description
	specialty packaging products, including stretch films, void fills, carton sealing tapes, and other specialty tapes; and provides contract packing services. The company is based in Atlanta, Georgia.
Billerud AB (publ) (OM:BILL)	Billerud AB (publ) provides paper and packaging materials worldwide. It operates through Board Product area, Paper Product area, and Solutions & Other segments. The Board Product area segment manufacture and sells liquid packaging board, carton board, and containerboard, which are primarily used to produce packaging for food and beverages as well as consumer and luxury goods. Paper Product area segment engages in the manufacturing and sale of graphic paper, kraft and specialty paper, sack paper and market pulp, which are primarily used for printing and publishing, packaging of food, and consumer products. Its Solutions & Other segment provides services under managed packaging, which offers brand owners to take control of their packaging needs; and supply woods. The company was formerly known as BillerudKorsnäs AB (publ) and changed its name to Billerud AB (publ) in October 2022. Billerud AB (publ) was incorporated in 1926 and is headquartered in Solna, Sweden.
CPH Chemie + Papier Holding AG (SWX:CPHN)	CPH Chemie + Papier Holding AG, together with its subsidiaries, engages in developing, manufacturing, and distributing chemicals, printing paper, and pharmaceutical packaging films. The Chemistry division develops, manufactures, and distributes a range of molecular sieves, special zeolites, chromatography gels, and deuterated solvents under the Zeochem brand. The Paper division manufactures newsprint and magazine paper products under the Perlen Papier brand; and recycles domestically recovered paper. The Packaging division provides a range of PVC monofilms and coated PVdC high-barrier films for use in the pharmaceutical industry under the Perlen Packaging brand name. It operates in Switzerland, rest of Europe, the Americas, Asia, and internationally. The company was founded in 1818 and is headquartered in Root, Switzerland.
DS Smith Plc (LSE:SMDS)	DS Smith Plc provides packaging solutions, paper products, and recycling services worldwide. The company offers transit and transport, consumer, retail and shelf ready, heavy duty, fibre base pallets, automotive standard, multi-material, dangerous goods, and e-commerce packaging, as well as packaging for food and drinks, health and beauty, apparel and footwear, home and DIY, and consumer electronics. It also provides various recycling and waste management services, including total waste management, paper and cardboard recycling, confidential shredding, and plastics recycling, as well as recycling solutions for the retail, manufacturing, print and publishing, paper mills, automotive, pharmaceutical, and public sectors. In addition, the company offers brown, white, and kraft liners; medium/fluting grades; dual-use grades; coated papers; and specialty papers, as well as technical and supply chain services, as well as point of sale display solutions and packaging machine systems. The company was formerly known as David S. Smith (Holdings) PLC and changed its name to DS Smith Plc in 2001. DS Smith Plc was founded in 1940 and is headquartered in London, the United Kingdom.
Elopak ASA (OB:ELO)	Elopak ASA manufactures and supplies paper-based packaging solutions for liquid food in Norway and internationally. It offers Pure-Pak cartons for chilled and aseptic applications; common roll fed aseptic carton; and packaging products. It also provides packaging solutions for detergent, fabric softener, and hand wash products. In addition, the company offers standard flexo, super flexo, UV-flexo, and offset litho printing services, as well as digital print proofs and machine print proofs on paper board. Further, it provides machine and equipment through spare part webshop. Elopak ASA was founded in 1957 and is based in Oslo, Norway.
Flexopack Société Anonyme Commercial and Industrial Plastics Company (ATSE:FLEXO)	Flexopack Société Anonyme Commercial and Industrial Plastics Company, together with its subsidiaries, manufactures and sells flexible plastic packaging materials for the food industry in Greece, other European countries, and internationally. It primarily offers barrier and non-barrier films. The company's products include lidding films, skin films, shrink bags and films, cook-in and sustainable products, thermoforming films. It provides its products under the Flexolid, Flexion, FlexoFresh, FlexoShrink, FlexoCook, FreshOnBoard, and MonoFresh brands. The company serves the food industry, which include meat, poultry, dairy, and fish and seafood, as well as printing/conversion and personal care packaging industries. Flexopack Société Anonyme Commercial and Industrial Plastics Company was founded in 1979 and is based in Koropi, Greece.

Company	Business description
Gascogne SA (ENXTPA:ALBI)	Gascogne SA engages in the production and sale of wood, paper, industrial and consumer sacks, and laminates in France and internationally. It operates through Wood and Packaging divisions. The company offers decorative wood, wood frame walls, and wood siding products; and machine glazed natural kraft papers, natural sack kraft papers, and technical coated papers for packaging and industrial uses. It also provides paper, plastic, and hybrid sacks used for packing human and animal feed, construction materials, pet food, chemicals seeds, and mineral products; and multilayer laminates, release liners, gummed products, and printed materials used for packing flexible packaging products, insulation and construction, envelopes and secure parcels, health and medical, composite materials, and adhesives and bands. The company was formerly known as Groupe Gascogne SA and changed its name to Gascogne SA in 2006. The company was founded in 1925 and is headquartered in Mimizan, France.
Huhtamäki Oyj (HLSE:HUH1V)	Huhtamäki Oyj provides packaging solutions in the United States, Germany, the United Kingdom, India, Turkey, Australia, Thailand, Poland, South Africa, the Czech Republic, Finland, and internationally. It operates through Foodservice Europe-Asia-Oceania, North America, Flexible Packaging, and Fiber Packaging segments. The company offers beverage-to-go packaging solutions, which includes single and double-wall paper, coffee and cold drinks cups, cup carriers, lids, accessories and short run prints customized paper cups; food-to-go packaging solutions, such as trays, containers, clamshells, scoops, bowls, wraps, and various accessories for take-away and dining; and egg trays, egg cartons, fruit trays, and wine bottle separators. In addition, it provides beverage packaging consisting of multilayer films, wrappers, labels, pouches and various reclose and print options for coffee, tea, juice, energy drink, and alcoholic beverage packaging; packaged food comprising stand up pouches, food pouches, multilayer packaging, and foils for ice cream, soups, biscuits, confectionary, dry food, and other retail food. The company also offers ready-to-eat pet food packaging, such as retort pouches and barrier laminates, as well as open and reclosable bags, and pouches in aluminium foil and non-foil transparent structures; packaging and labels for personal and home care products including tube laminates for toothpaste and other tubes, blister packaging materials, and pharmaceutical packaging. In addition, it provides disposable food trays for ready-to-eat meals; hinged containers; and single-use tableware products, including plates, bowls, cups, and napkins under the Chinet brand. The company serves food and beverage companies, quick service and fast casual restaurants, foodservice operators, fresh produce packers, and retailers. Huhtamäki Oyj was founded in 1920 and is headquartered in Espoo, Finland.
Mayr-Melnhof Karton AG (WBAG:MMK)	Mayr-Melnhof Karton AG manufactures and sells cartonboard and folding cartons in Germany, Austria, and internationally. It operates through two segments, MM Board & Paper and MM Packaging. The MM Board & Paper segment manufactures and markets various grades of cartonboard products, such as coated cartonboard produced from recycling fibres; and virgin fibre based cartonboard, as well as offers kraft papers and uncoated fine papers. Its cartonboard is used as a raw material in the production of folding carton packaging; and for food packaging, as well as packaging for household and hygiene products. This segment primarily serves printing businesses in the fragmented folding carton industry. The MM Packaging segment processes cartonboard into folding cartons primarily for food industry, as well as for other consumer goods industries. This segment also provides leaflets and labels. Mayr-Melnhof Karton AG was founded in 1950 and is based in Vienna, Austria.
Mondi Plc (LSE:MNDI)	Mondi Plc, together with its subsidiaries, engages in the manufacture and sale of packaging and paper solutions in Africa, Western Europe, Emerging Europe, North America, South America, Asia, Australia, and internationally. The company operates in three segments: Corrugated Packaging, Flexible Packaging, and Uncoated Fine Paper. The Corrugated Packaging segment provides virgin and recycled containerboards for fresh fruit packaging and heavy and fragile goods transport packaging applications; and corrugated solutions, such as corrugated boxes and packaging products. The Flexible Packaging segment offers sack kraft paper, paper bags, specialty kraft paper, consumer flexibles, and functional paper and films. The Uncoated Fine Paper segment provides uncoated fine paper comprising home, office, converting, and professional printing papers; and market pulp. It serves customers in the agriculture, automotive, building and

Company	Business description
	construction, chemicals, food and beverages, home and personal care, pet care, retail, and shipping and transport industries. The company was incorporated in 2007 and is based in Weybridge, the United Kingdom.
Robinson Plc (AIM:RBN)	Robinson Plc engages in the manufacture and sale of plastic and paperboard packaging products in the United Kingdom, Poland, Denmark, and internationally. It provides various plastic packaging products comprising HDPE and PP bottles, and PET bottles; pots, tubs, and containers; caps, closures, and over caps; and various jars; and custom packaging services. The company also offers paper packaging products, including shoulder boxes, boxes and lids, book jackets, clam packs, rigid trays and sleeves, and folding cartons. It offers its products for the food and drink, personal care and beauty, luxury gifting, and homecare markets. The company was founded in 1839 and is headquartered in Chesterfield, the United Kingdom.
SIG Group AG (SWX:SIGN)	SIG Group AG provides aseptic carton packaging systems and solutions for beverage and liquid food products. The company provides aseptic carton filling lines, aseptic carton sleeves and closures, bag-in-box, and spouted pouch, as well as spare parts, maintenance, digital, add-on, training, and other services. It primarily operates in Europe, the Middle East, Africa, the Asia Pacific, and the Americas. The company was formerly known as SIG Combibloc Group AG and changed its name to SIG Group AG in April 2022. The company was founded in 1853 and is headquartered in Neuhausen am Rheinfall, Switzerland.
Smurfit Kappa Group Plc (ISE:SK3)	Smurfit Kappa Group Plc, together with its subsidiaries, manufactures, distributes, and sells containerboard, corrugated containers, and other paper-based packaging products in Ireland, Germany, France, Mexico, rest of Europe, and other Americas. The company offers e-commerce, retail, consumer, industrial, bottle, protective, heavy-duty, hexacomb, and various punnet packaging products; composite cardboard tubes, bags, and sacks; and bag-in-box, a packaging system that comprises films, accessories, bags, taps, and boxes. It also provides point of sale displays; cardboards of social distancing; corrugated sheet boards, solid board sheets, folding carton sheet boards, sack Kraft papers, MG brown Kraft papers, preprint products, agro-papers, technical papers, BanaBag, and Catcher Board MB12; and various types of containerboards, such as kraftliners, testliners, and containerboard flutings. In addition, the company offers recycling solutions to cardboard and paper products; and supplies packaging machinery. It primarily serves consumer goods, industrial goods, and food and drink sectors. Smurfit Kappa Group Plc was founded in 1934 and is headquartered in Dublin, Ireland.
Stora Enso Oyj (HLSE:STERV)	Stora Enso Oyj provides renewable solutions for the packaging, biomaterials, wooden constructions, and paper industries in Finland and internationally. It operates through Packaging Materials, Packaging Solutions, Biomaterials, Wood Products, Forest, Paper, and other segments. The company's Packaging Materials segment offers virgin and recycled fibre replace fossil-based materials with low-carbon, renewable and recyclable packaging materials for food and beverage, pharmaceutical, and transport packaging. Its Packaging Solutions segment develops and sells fibre-based packaging products and services, including converting corrugated boards and carton boards; and new materials, such as formed fibre and wood foams into standard and bespoke packaging solutions for retail, e-commerce, and industrials. The company's Biomaterials segment provides various pulp for packaging, paper, tissue, specialties, and hygiene product producers; and tall oil and turpentine from biomass. Its Wood Products segment offers wood-based solutions, including digital tools for design and construction of building projects with wood; applications for windows and doors; and pellets for sustainable heating solutions. The company's Forest segment engages in sustainable forest management, as well as supplies wood. Its Paper segments offers portfolio of products for print and office use. The company's Other segment produces electricity and heat. It serves packaging manufacturers, brand owners, paper merchants, publishers, retailers, printing houses, converters, and construction companies. The company was incorporated in 1996 and is headquartered in Helsinki, Finland.

Source: Capital IQ

Papyrus

Papyrus Australia Ltd
ABN 63 110 868 409

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

PPY

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Papyrus Australia Limited General Meeting

The Papyrus Australia Limited General Meeting will be held on Friday, 28 June 2024 at 10.30am (Adelaide time). You are encouraged to participate in the meeting using the following options:

MAKE YOUR VOTE COUNT

To lodge a proxy, access the Notice of Meeting and other meeting documentation visit www.investorvote.com.au and use the below information:

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

For your proxy appointment to be effective it must be received by 10.30am (Adelaide time) on Wednesday, 26 June 2024.

ATTENDING THE MEETING IN PERSON

The meeting will be held at:
The Offices of BDO Audit Pty Ltd
Level 7, BDO Centre, 420 King William Street ADELAIDE SA 5000

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

Papyrus Australia Ltd
ABN 63 110 868 409

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
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YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10.30am (Adelaide time) on Wednesday, 26 June 2024.**

Proxy Form

How to Vote the Item of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate “Appointment of Corporate Representative”. A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Papyrus Australia Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Papyrus Australia Limited to be held at the Offices of BDO Audit Pty Ltd, Level 7, BDO Centre, 420 King William Street ADELAIDE SA 5000 on Friday, 28 June 2024 at 10.30am (Adelaide time) and at any adjournment or postponement of that meeting.

Step 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Acquisition of shares in Papyrus Egypt for the Manufacture of Banana Fibre Company LLC: National Company number 27809292102441 (PPYEg)	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Mobile Number	Email Address

computershare